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FINANCIAL TIMES

Cola wars
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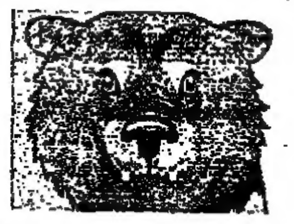

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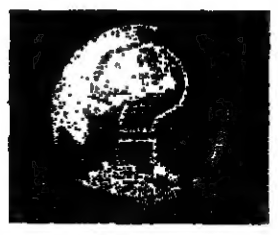

Doomsday
Probably closer than we think
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SATURDAY'S **Weekend FT**
Meet Matthew, Mark, Luke, John...

World Business Newspaper

THURSDAY APRIL 4 1996

Britain rejects BSE scheme as EU refuses to lift ban

Britain's agriculture minister Douglas Hogg won the backing of his ruling Conservative party in spite of his failure to secure the removal of a worldwide ban on British beef at a two-day meeting of European Union farm ministers in Luxembourg. Mr Hogg refused to back measures agreed by the farm ministers to stamp out BSE or "mad cow disease" and restore consumer confidence to Europe's beef industry because they would not lift the ban. EU agriculture commissioner Franz Fischler said it "was too early to set a date" to lift the ban. Page 8

S Africa moves to end rand speculation:

South Africa's new minister of finance, Trevor Manuel (left), sought to damp speculation against the rand with a pledge of no sudden removal of exchange controls. Mr Manuel, the first member of the ruling African National Congress to hold the finance portfolio, held an unscheduled press conference after the rand had been driven to new lows against the dollar. Page 14; Currencies, Page 25

Chechnya threatens Yeltsin plans: Fighting in Chechnya and vows from separatist leaders to fight "to the last" cast doubts over Russian President Boris Yeltsin's peace plan and overshadowed his registration as a presidential candidate. Page 2

IBM executives charged in Argentina: Five current and former executives of International Business Machines have been indicted on charges of defrauding the Argentine state over a $249m contract with state-owned Banco Nación. Page 14

Leica Camera, the German company that invented 35mm photography, is heading for a stock market, 80 years after it was founded. Page 15

WTO proposes summit: World Trade Organisation director-general Renato Ruggiero is considering a special meeting of world leaders to inject fresh political momentum into multilateral trade liberalisation. Page 5

Enron fights North Sea contract: Enron, a leading US gas company, asked a US judge to nullify a gas purchasing contract worth up to $200m a year it has with North Sea producers as the ongoing dispute over take-or-pay gas contracts reached the law courts. Page 8

Spanish rate cut surprise: The Bank of Spain took financial markets by surprise with a half-point cut in its benchmark interest rate from 8.25 [illegible] per cent, the second cut since the Popular party's narrow general election victory a month ago. Page 14

BHF-Bank lifted trading profits 7 per cent in the first quarter of this year but the German bank warned of the possible impact of the economic slowdown on its performance. Page 16

Inco, the western world's biggest nickel producer, appeared to have won the battle for control of the large Voisey's Bay nickel, copper and cobalt deposit in eastern Labrador with a cash and shares offer valued at C$4.3bn ($3.3bn). Page 15

Mediaset, the Italian television and media group controlled by Silvio Berlusconi, announced profits of L455bn ($291m), up from L56bn in 1995. Page 16

Sweden set for more budget cuts: Sweden's government will have to make new budget savings of at least SKr25bn ($3.73bn) on top of the unprecedented SKr118bn already outlined if it is to meet its target of eliminating the budget deficit in 1998, finance minister Erik Asbrink said. Page 2

Deutsche Telekom, the German group set for partial privatisation later this year, is likely to suffer another setback after the European Commission indicated it would delay implementation of new corporate client rebates until July 1 "or later". Page 2; DT expands in Russia, Page 18

Growth seen in Asian trade: Trade between China and Japan will grow significantly in the next two decades with "profound economic and strategic" implications for the region and the world, according to a new study. Page 5

China sceptical on Murdoch plan: China's broadcasting chief poured cold water on Rupert Murdoch's ambitions to establish a tie-up with state television organisations which would give him access to China's vast audience. Page 6

—The Financial Times will not be published tomorrow or on Easter Monday. It will be published on Saturday and from Tuesday.

STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	5,658.26	(-5.42)
NASDAQ Composite	1,113.41	(+2.12)
Europe and Far East		
CAC40	2,094.0	(-6.41)
DAX	2,494.4	(-6.82)
FT-SE 100	3,725.1	(-3.4)
Nikkei	21,464.73	(-135.35)

US LUNCHTIME RATES

Federal Funds	5¼%
3-mth Treas Bills: Yld	5.114%
Long Bond	91½
Yield	6.627%

OTHER RATES

UK: 3-mo Interbank	6⅛%	(same)
UK: 10 yr Gilt	95¾	(95⅛)
France: 10 yr OAT	104.99	(105.35)
Germany: 10 yr Bund	97.33	(97.48)
Japan: 10 yr JGB	99.98	(99.67)

NORTH SEA OIL (Argus)

Brent 15-day	$20.93	(21.09)

GOLD

New York Comex		
(Jun)	$397.0	(396.2)
London:		
close	$395.05	(393.6)

DOLLAR

New York lunchtime		
£	1.52825	
DM	1.47925	
FFr	5.04	
SFr	1.194	
Y	106.82	
London:		
£	1.5259	(1.5243)
DM	1.4792	(1.4818)
FFr	5.0433	(5.0492)
SFr	1.1939	(1.1932)
Y	106.9	(107.395)

STERLING

DM	2.257	(2.2587)
Tokyo close:	Y 107.135	

Albania	LEK 220	Germany	DM4.00	Lithuania	Lit 15.00	Qatar	QR13.00
Austria	Sch37	Greece	Dr400	Lux	LFr75	S.Arabia	SR12
Bahrain	Din1.250	Hong Kong	HK$20	Malta	Lm0.85	Singapore	S$4.30
Belgium	BFr75	Hungary	Ft230	Morocco	MDh16	Slovak Rp	SK66
Bulgaria	Lv130.00	Iceland	IKr230	Neth	Fl 4.75	S. Africa	R12.00
Cyprus	C£1.20	India	Rs75	Nigeria	Naira80	Spain	Pta250
Czech Rp	Kc60	Israel	Shk7.90	Norway	NKr20.00	Sweden	SKr20
Denmark	DKr18	Italy	L3200	Oman	OR1.50	Switz	SFr3.70
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Syria	S£85.00
Estonia	EKr 22	Jordan	JD1.50	Poland	Zl 5.50	Tunisia	Din1.750
Finland	FM15.50	Kuwait	Fils650	Portugal (inland)	Es240	Turkey	L80,000
France	FFr11.50	Lebanon	LL3,000			UAE	Dh12.00

 No 32,951

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US commerce chief in aircraft crash

Top cabinet official Ron Brown involved in accident over Croatia

By Patti Waldmeir, Nancy Dunne and Jurek Martin in Washington

An aircraft carrying Mr Ron Brown, the US commerce secretary, and several top executives of US companies, crashed yesterday near Dubrovnik, Croatia. There was no indication that hostile forces had been involved.

The fate of Mr Brown was unknown, and it was unclear yesterday how many of the US business executives accompanying him on his trip were also aboard the aeroplane, which went down in stormy weather. Croatian officials said last night that they had located parts of the wreckage and bodies in the vicinity.

US Navy helicopters were scouring the waters of the Adriatic, off Dubrovnik, and four Navy ships and Nato aircraft were en route to search for survivors. Other reports said that the aircraft had crashed into a mountain near the airport. The crash was believed to have taken place at about 1250GMT.

The French defence ministry said the aircraft was believed to have been carrying 35 people, all of them American. A ministry spokesman in Paris, quoting Nato authorities in Bosnia, said there was no word on survivors. He said the aeroplane was thought to be carrying 27 passengers, including Brown, and a crew of eight.

Mr Mike McCurry, the White House spokesman, said it was uncertain who accompanied Mr Brown on the flight although there were "perhaps as many as half a dozen passengers".

US defence department officials said there was no indication that the aeroplane had been brought down by hostile fire. "None whatsoever," one official added.

"I can tell you the weather was terrible." Heavy rain was reported at Dubrovnik airport, where Croatian Airlines aeroplanes were being rerouted to the Adriatic port of Split, 120 miles to the north.

Croatian President Franjo Tudjman said there was "no hostility" involved in the incident.

Ms Janet Reno, the US Attorney General, spoke for many in the Clinton administration when she said: "I think we should all pray at this point." President Bill Clinton had cancelled his engagements to await news of Mr Brown's fate at the White House, and was reported to be deeply saddened. The President spoke to Mr Brown's wife, Alma, soon after hearing the first news that the secretary's aeroplane was missing.

Mr Brown, 54, is the most prominent black member of the Clinton administration. He is widely respected by his colleagues and is understood to be close to the President. He has worked hard to promote US exports overseas, and was engaged on a trade mission in Bosnia when the aircraft crashed.

He had been travelling in the region with about a dozen US corporate executives and a number of Commerce Department officials exploring business opportunities in the Balkans. But US officials said they had no manifest of the flight, and were not sure who was on it. Mr Brown's aeroplane, a US Airforce T43 – the military version of a Boeing 737 – could carry up to 100 passengers.

Most of the executives accompanying Mr Brown in the Balkans headed infrastructure and transportation companies, hoping to participate in the proposed $5bn reconstruction of Bosnia.

Mr Brown conceived of his trip as an opportunity to ensure that US companies had a good chance of securing any construction contracts in Bosnia.

Mr Tudjman announced a commission of inquiry into the incident and cabled President Clinton that he was "deeply shocked" by the news.

The Commerce Department yesterday named Ms Mary Good as acting secretary of the department. Before she was Commerce undersecretary for technology.

Brown took pride in his non-military role in helping bring peace to world troublespots. "This is a reconstruction and development mission that in some ways is not unlike the strategy we have used in other troublespots around the world that are attempting to move towards long-term peace and stability," he said before he left.

US commerce secretary Ron Brown, who was with US executives in an aircraft which crashed outside Dubrovnik in Croatia yesterday

Bank of Japan chief worries markets on rate rise

By William Dawkins in Tokyo

Mr Yasuo Matsushita, the Bank of Japan's governor, yesterday urged a review of the central bank's legal status to grant it more independence, but then worried financial markets by saying that rising long-term interest rates were a natural reflection of economic recovery.

His remark, while logical, rekindled speculation that the bank is testing market reaction to a possible rise in the official discount rate – now at a record low of 0.5 per cent – once Japan's tentative economic recovery has gathered pace.

In response, the Nikkei 225 index fell 350 points, but regained some of the loss to end at 21,464.73, down 135.35 points on the day. The US dollar touched a near two-year high of Y108, but eased towards Y107, as markets became convinced that Mr Matsushita was not planning any immediate change in monetary policy.

The risk of an economic setback was smaller than last year, Mr Matsushita said. "Our monetary policy for the time being is aimed at consolidating the foundation of the economic recovery," he added.

Among economic uncertainties ahead, he cited weak corporate capital spending and the fact that property prices had not yet touched bottom.

The rise in Japanese long-term interest rates since the end of last year would not damp world economic recovery, he said. He welcomed commercial banks' aggressive write-offs of bad property-related loans.

Mr Matsushita's call for a review of the central bank's 1942 statute is not new, since bank officials have long been seeking more autonomy from the finance ministry on monetary policy.

His call signifies the bank's eagerness to seize the chance presented by the ministry's own internal review, announced on Tuesday, to speed the debate, officials said. Until yesterday,

Continued on Page 14

Business groups voice fears as fall in manufacturing orders continues

Competition in Europe forces price cuts

By Gillian Tett, Economics Correspondent, in London

Business conditions in Europe have become as competitive as they were during the last recession, data from the European Commission suggested yesterday.

Manufacturing orders continued to fall last month, forcing more companies to cut prices, according to a Commission survey.

The proportion of companies expecting to reduce prices was the same as those expecting to raise them in March – the most pessimistic result since the last recession in 1993 and almost the weakest outcome on record.

The figures are likely to be welcomed by economists as a sign of the extremely weak inflation pressures in Europe. The Commission reported yesterday that EU inflation fell to 2.7 per cent in February, from 2.8 per cent in January.

But the fiercely competitive conditions are provoking concern among some business groups.

Mr Jacques Creyssel, chief economist at the Patronat, the French employers' group, said: "We are worried by the trend, because we think it will lead to a further squeeze in margins and could harm manufacturers."

Meanwhile, the outlook for European industry remains distinctly uncertain, amid fresh signs of weakening demand.

Businesses in Germany, Spain, France and Italy all reported a marked fall in order books last month. In Germany, the downturn was largely caused by weaker domestic demand.

However, in Italy, Spain and France, the decline was triggered partly by a deterioration in export conditions.

The fall in orders was not universal. In Holland and the UK the level of orders was broadly unchanged, while in Belgium demand rose slightly.

Overall, the business climate continued to worsen steadily across Europe, for the 17th consecutive month.

These gloomy signals are likely to disappoint European governments, which remain convinced that activity should pick up again in the second half of the year.

Nevertheless, the Commission survey, which gathers results from 23,000 companies in 12 EU countries, also showed that the proportion of manufacturers planning to increase output did rise slightly in March, with notable increases in France, Spain and the UK.

Consumer confidence has also stabilised across Europe in recent months – albeit at low levels – after falling sharply last year, the survey showed.

Meanwhile, some economists are becoming more optimistic. Mr Jan Herremans, chief economist of the Federation of Belgium Enterprises, thinks the problem of excess stocks, which suppressed demand last year, may be ending. But the survey showed levels remained high in most countries, with stocks actually rising last month in Italy and Germany. And most private sector economists see little chance of a rapid rebound.

Daimler passes its dividend and votes for share options

By Wolfgang Münchau in Frankfurt

Daimler-Benz, Germany's largest industrial company, has passed its dividend for the first time in 45 years after a tumultuous year that ended with a DM5.7bn ($3.82bn) loss.

The group's supervisory board also decided yesterday to implement an executive share option scheme over the objections of most employee representatives on the board.

In a rare deviation from consensus decision-making on supervisory boards in German companies, shareholder representatives forced a vote on the scheme.

The outcome, 11-9, indicated that one of the 10 employee delegates voted in favour of the share option scheme, one of the first by a German company.

The majority of the employee representatives, including Mr Klaus Zwickel, president of IG Metall, the metalworkers union, objected to the scheme, arguing that the company's share price would assume on overriding importance if executives owned share options.

They also feared further job losses if management acted relentlessly in pursuit of profits.

There had been some speculation over the last few months that Daimler-Benz might pay a dividend to appease some of its irate shareholders. But payment would have triggered a storm of protest among employees after the company forced sweeping redundancies at its Daimler-Benz Aerospace (Dasa) and AEG subsidiaries.

The net loss for 1995 took in a restructuring charge of DM5.1bn, including DM3.9bn for the dismantling of AEG, Daimler's diversified industrial group, and the withdrawal from Fokker, the Dutch regional aircraft maker.

About DM1.2bn would be used to pay for job cuts and "further structural adjustment", mostly at Dasa . There would also be a provision of DM800m to cover potential future losses.

Daimler presents its accounts under separate German and US accounting rules. They will both show the same net loss of DM5.7bn, although the composition will differ significantly.

Mr Jürgen Schrempp, chairman, yesterday said: "As the *tour de force* of the past months has shown, the board of management is taking resolute action aimed at offering Daimler-Benz shareholders an attractive return on their

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CONTENTS

NEWS: EUROPE

Sweden prepares more budget savings

The new finance minister, Erik Asbrink, tells the FT why spending must be slashed again

Sweden's Social Democratic government will have to make new budget savings of at least SKr25bn ($3.7bn) on top of the unprecedented SKr118bn already outlined if it is to meet its target of eliminating the budget deficit in 1998, Mr Erik Asbrink, the new finance minister, said yesterday.

The bulk of the new savings would come from cuts in public expenditure, but Mr Asbrink said he was preparing to raise taxes as well, despite his reluctance to add to one of the highest tax burdens of any industrialised economy. "There will be some measures on the tax side as well," he said.

The first stage will come in a finance bill on April 15 which will, in effect, serve as an outline budget for 1997. Mr Asbrink will add to a series of measures taken over the past 18 months which already amount to state savings worth 7.5 per cent of gross domestic product, one of the toughest budget programmes ever undertaken in Sweden.

The government – led since last month by Mr Göran Persson, the former finance minister – is bracing itself for an angry reaction to a new round of savings on top of steep tax rises and deep cuts in cherished welfare programmes to reduce a yawning deficit and control a state debt running at more than 80 per cent of GDP.

But Mr Asbrink strongly restated the government's commitment to cut the budget deficit to "not more than" 3 per cent of GDP next year – in line with the criteria set for qualification for European monetary union – and to eliminate the deficit in 1998.

"We still need further measures to create order in the public finances," he said.

Mr Asbrink said that, in measures to be outlined up to and including the formal 1997 budget bill in September, he would have to finance SKr2bn in previously unforeseen government expenditure and SKr11bn-SKr12bn in costs arising from a plan outlined by Mr Persson earlier this year to head off trade union objections to the budget strictures.

Mr Persson promised to increase unemployment benefits in 1998 to 80 per cent of last salary, from 75 per cent, and to expand adult education in an attempt to cut 12 per cent unemployment.

The new finance minister said a slowdown in growth to around 1 per cent this year, hitting the public finances through lower-than-expected revenues and higher-than-expected benefit outgoings, meant he needed further savings of about SKr6bn in 1997 and "a little bit more than that" in 1998.

Some of the financial markets believe there is a need for SKr40bn in total new savings but the domestic political pressures on the government mean it is reluctant to go further, hoping that growth will pick up next year.

Mr Asbrink declined to give details of where the new cuts would fall or which taxes he would raise – although Sweden's still-generous social benefits are likely to be one target.

Mr Asbrink acknowledged that it was virtually impossible for Sweden to meet the Emu criterion that state debt should not exceed 60 per cent of GDP by the qualification date of 1997. But he said it would be on a "downward sloping curve."

Hugh Carnegy

Erik Asbrink, the new Swedish finance minister

Rebates blow for Deutsche Telekom

By Michael Lindemann in Bonn

Deutsche Telekom, the German group set for partial privatisation later this year, is likely to suffer another setback after the European Commission indicated yesterday that it would delay implementation of new corporate client rebates until July 1 "or later".

The rebates – offering business users discounts of up to 39 per cent on telecoms services – were approved by the German government last month and were intended to be retroactive to January 1. They are still being examined by the competition authorities in Brussels and a result may not be known this month.

But Brussels officials said yesterday that Deutsche Telekom would not be allowed to backdate the rebates to January 1.

The Commission will also insist that any rebates be extended to lines leased by Deutsche Telekom's private sector competitors, including Mannesmann, Viag and Thyssen.

The discounts are the cornerstone of Deutsche Telekom's efforts to become more attractive to corporate clients before the German telecoms market is liberalised in 1998.

A delay in implementation is likely to cause the company severe embarrassment.

It remains unclear what impact the delay might have on Deutsche Telekom's partial privatisation later this year as the company has never disclosed details of how the rebates will affect revenues.

The company said yesterday that it still expected the rebates to be approved retroactively to January 1.

Deutsche Telekom first asked the German ministry for post and telecommunications to approve the rebates last August, telling clients they would be approved in December and effective from January 1.

The ministry finally approved the rebates in March, after Deutsche Telekom announced concessions for residential users. At the time Mr Wolfgang Bötsch, the minister, said he saw no reason for Brussels to challenge the rebates, but he has since confirmed that the Commission would have to give final approval.

VTM, an association grouping private sector operators which include many of Germany's biggest companies, complained to Brussels last year that the Deutsche Telekom discounts would put their fledgling telecoms activities out of business, setting back competition on the German telecoms market.

VTM alleged that the rebates were structured in such a way as to ensure that Deutsche Telekom's competitors could not benefit from them.

Officials in Brussels said this was unacceptable.

"For competition's sake it would be normal that they [the VTM] should benefit from the rebates."

France sees jobs boost in telecoms reform

By David Buchan in Paris

The French government yesterday held out the hope that cheaper phone calls and more jobs would result from the draft bill it approved yesterday to open French telecommunications to competition from 1998.

Mr François Fillon, the telecommunications minster, said the bill to be put before parliament marked "a turning point" ending state control over telecommunications in France.

He said new technology creating worldwide networks, the need to sustain France's economic competitiveness and France's commitment to European telecommunication liberalisation made the change inevitable.

Drawing on the experience of countries which had already opened their telecommunications to competition, Mr Fillon said French phone users could expect cheaper rates as the volume of telephone traffic increased. He noted the average monthly household phone bill in France was FFr202 ($40), compared with FFr134 in the UK and FFr130 in Sweden. He also predicted that the net effect of deregulation would be to create 700,000 more jobs.

But he stressed that France Télécom would remain the "public operator" of a "universal [phone] service" in France. The state intended to retain majority control of France Télécom, he reaffirmed. To avoid any conflict of interest, a new independent regulatory authority would be created to supervise competition.

Seeking to reassure France Télécom unions objecting to deregulation, Mr Fillon said the government "has defined the concept of public service as widely as European legislation permits".

Mr Fillon said the government had changed its draft to make concessions to the unions. Private operators would not provide physical facilities like call boxes in lieu of paying their share of supporting France Télécom's universal service, while new operators which provided job-creating investment would pay lower "interconnection" charges to France Télécom.

Partly because of these moves, the unions have reserved their main fire for the government project to open up a minority of the capital of France Télécom to outside investors. They have called a strike against this plan on April 11.

Setback for Yeltsin's Chechen plan

By John Thornhill in Moscow

A renewed outbreak of fighting in Chechnya and defiant vows from separatist leaders to fight "to the last Chechen" yesterday cast grave doubts over President Boris Yeltsin's peace plan and overshadowed his official registration as a presidential candidate.

Russian news agencies said Russian aircraft bombed the village of Shalazi, 30 miles south-west of the capital, Grozny, early yesterday killing two people, destroying 300 homes and sending scores of residents fleeing in terror.

Villagers were quoted as saying 12 other residents had been injured in the raid. But the media was prevented from entering the village.

The Russian authorities initially denied knowledge of the incident but later announced the military prosecutor's office would investigate. General Pavel Grachev, Russia's defence minister, said he was committed to a peaceful settlement of the Chechen conflict but would continue to pursue "special selective operations" against rebel forces.

Further west from Shalazi, near the rebel stronghold of Bamut, artillery boomed overnight. Troops also blockaded six villages in the south-east Vedeno district where they said several hundred rebels were deployed, Interfax news agency said. Mr Yeltsin had called an end to hostilities on Sunday night in an attempt to trigger a peace settlement with the Chechen separatists and salvage his electoral chances.

Registering as a candidate yesterday, Mr Yeltsin acknowledged he faced a formidable rival in Mr Gennady Zyuganov, the Communist party leader. "I am nervous because the fight will not be easy and rivals are strong. But I am not scared and I will fight hard," he said.

Mr Yeltsin, who has been campaigning energetically since the beginning of the year, has been trying to paint Mr Zyuganov as a dangerous revanchist who threatened to return Russia to its totalitarian past. "Russia's fate depends on how people vote. They can vote to keep the reins of power and they can also vote to lose them," he said, in a further sideswipe at Mr Zyuganov.

There are signs that Mr Yeltsin's populist campaign tactics are beginning to pay off. The latest polls show Mr Yeltsin's support has risen to 21 per cent compared with 27 per cent for Mr Zyuganov.

In accordance with electoral commission rules, Mr Yeltsin revealed he earned about $6,000 last year, which compares with an average Russian salary of about $1,700. In the previous year, Mr Yeltsin earned $280,000 from book royalties alone.

The electoral commission said it had verified the 1m signatures needed to register Mr Yeltsin's candidacy despite an earlier controversy about the methods used by the president's campaign team to garner support.

Mr Zyuganov has registered and at least four others are likely to enter the first round on June 16.

Mr Grigory Yavlinsky, leader of the reformist Yabloko movement, has been attracting some support from disillusioned Yeltsin supporters.

Mr Mikhail Gorbachev, the former Soviet president, Mr Alexander Lebed, the former army commander, and Mr Svyatoslav Fyodorov, a famous eye surgeon, also appear intent on running.

Joke turns sour: millionaire Vladimir Bryntsalov (centre), parliamentary colleague of nationalist Vladimir Zhirinovsky (left), had his application to run for president refused yesterday Reuter

OECD URGES PROTECTION FOR INVESTORS IN RUSSIA

Russia should legislate to protect the interests of foreign investors and take tougher action against organised crime, the Organisation for Economic Co-operation and Development said yesterday, Reuter reports from Paris.

In its Investment Guide for the Russian Federation, published yesterday, the OECD says foreign investors' primary concerns were unfair or unpredictable treatment of their money and a lack of personal security.

"Provided heightened political or macroeconomic uncertainty does not cause foreign companies to abandon or postpone projects, foreign direct investment is likely to expand in Russia," the report said. "Substantial flows of foreign direct investment, however, are likely to raise a number of new policy issues for the Russian government."

The OECD called for "more stability and predictability" for shareholders and companies through improving the legislative framework and sweeping away impediments to foreign investment in oil and gas, such as tax, export and price controls. Foreign investment legislation should move towards guaranteeing national treatment of foreign investors, while improving clarity and standards of dealing with foreign money, the report said.

It also called for laws on corporate governance, comprehensive capital markets regulation and a tax system which is clear, stable and without the "unusual burdens" of the current system. Commenting on security issues, it says "crime and corruption continue to affect the day-to-day business operations of foreign firms. To ensure the personal and material security of investors, the government should undertake further initiatives for preventing crime in vulnerable spheres of the economy and in regions with a high crime level."

Mr Yevgeny Yasin, the Russian economy minister, said at the launch of the guide in Paris yesterday that Russia intended to apply for membership of the 26-member OECD. He warned that foreign investment risked going into decline if the Communist party leader, Mr Gennady Zyuganov, defeated President Boris Yeltsin in the presidential elections in June. "I think the election of the Communists this summer would be a tragedy," he said.

Simitis sets out to reassure US tourists

The Greek premier will aim on his Washington visit to allay fears about Athens airport security, reports **Kerin Hope**

US fears about security at Athens airport are likely to overshadow other concerns when Mr Costas Simitis, Greece's Socialist prime minister, makes his first visit to Washington next week.

At a meeting on Tuesday between Mr Simitis and President Bill Clinton the main issues will be the Greek-Turkish dispute over sovereignty in the Aegean and an official US warning last month that security at Athens airport is inadequate.

This warning could have a serious effect on Greek tourism this summer. Given that tourism is Greece's largest industry and that the average US visitor spends three times as much money as a European, Mr Simitis will try hard to convince the US president that security at Athens airport will be upgraded to international standards within the next few weeks.

Mr Simitis is likely to be in a buoyant mood over tourism prospects after entertaining Mrs Hillary Clinton, the US president's wife, in Athens last week. A Greek official said Mrs Clinton's enthusiastic call for more Americans to visit Greece struck "a very encouraging note".

Greek-US relations have made considerable progress since the 1980s, when Prime Minister Andreas Papandreou used to rally leftwing support with outbursts of anti-American rhetoric.

Since taking over from Mr Papandreou in January, Mr Simitis has worked hard to build support for his moderate policies, despite opposition from Mr Gerasimos Arsenis, the defence minister. Mr Simitis is still criticised by Socialist hardliners for agreeing to US mediation to defuse a Greek-Turkish confrontation in January, when both countries sent warships to two uninhabited islets after Turkey questioned Greek sovereignty in the eastern Aegean.

A recent statement by Mr Mesut Yilmaz, the new Turkish prime minister, that Turkey wants to settle the Aegean disputes peacefully and in accordance with international law has helped to reduce tension. But Athens and Ankara are still exchanging diplomatic protests about the activities of goatherds and fishermen on the islets, while Greek and Turkish air surveillance and naval patrols remain focused on the eastern Aegean.

Mr Simitis, who must overcome his hardline opponents in order to succeed Mr Papandreou as the Socialist leader at a party congress in July, is not likely to be immediately receptive to US suggestions that Greece and Turkey establish closer contact to avert a possible clash in the Aegean.

But with opinion polls in Greece showing increasing support for a softer approach to Turkey, Mr Simitis may be more inclined to re-examine US proposals for confidence-building measures in the Aegean once the congress is over, one official said.

Another leftover from the past that concerns US officials is terrorism: November 17, a Greek extremist group, has periodically attacked American targets over the past 20 years without any of its members being arrested.

● Turkish officials are congratulating themselves over last week's successful visit to Washington by President Süleyman Demirel, John Barham writes from Ankara.

They said the tone of the meeting contrasted with awkward encounters in European capitals where Turkey is criticised for its human rights record and where its efforts to join the European Union are politely ignored. President Clinton underlined positive facets of the US relationship with Turkey, avoiding direct reference to human rights, while asserting the need for détente with Greece.

EUROPEAN NEWS DIGEST

Bonn to regulate 'grey market'

The German government plans to subject the sale of investments based on commodity, financial and currency futures to special approval and supervision procedures after a finance ministry survey suggested "tens of thousands" of investors had suffered losses through buying such products.

Mr Hansgeorg Hauser, a state secretary in the Ministry, said legislation to control the unregulated "grey capital market" would be introduced in the second half of this year, to take effect in 1997.

The ministry estimated that between DM6.5bn ($4.36bn) and DM10bn was invested in products based on futures and "penny stocks" between 1990 and 1995. These were often sold through letter box companies. State interior ministries have taken legal action against 1,266 such companies since 1990. Mr Hauser said measures to protect investors in the grey capital market would support plans to start a commodity futures exchange in Germany, by ensuring serious intermediaries would operate in that business. *Peter Norman, Bonn*

Slovak state's 'golden share' lost

The Slovak Constitutional Court yesterday effectively annulled a law allowing continued government involvement in important privatised companies, after ruling that the state's "golden share" in strategic companies was unconstitutional.

The law, approved by parliament last July, listed dozens of companies which were not be privatised at all or in which the state was to keep the right of veto over key decisions.

The ruling means that the state will no longer be able to retain a decisive influence in privatised companies such as oil refiner Slovnaft, energy company Nafta, and the giant steel works in the eastern city of Kosice, Vychodoslovenske Zeleziarne.

The companies listed as not for privatisation were not affected by the court's ruling. Under Slovak law, parliament now has six months to revise the law to meet the court's ruling. Parliamentary officials were not available for comment. *Reuter, Bratislava*

Warning on Belgian growth rate

The Belgian economy will only grow about 1 per cent in 1996 and the government must find an extra BFr30bn-BFr35bn ($1.15bn) if it is to cut the budget deficit to a target 3 per cent of GDP, Belgian employers said yesterday.

"Because of the slowdown, which will last until halfway through the year, growth will not surpass 1 per cent by much in 1996," the Federation of Belgian Employers said in a study.

Predictions by private economist for 1996 GDP growth range from 1.4 per cent to 2.0 per cent.

The government reduced its official growth forecast earlier this year to 1.6 per cent from the 2.2 per cent on which it based its 1996 budget.

Meanwhile, Belgian unemployment fell to 13.7 per cent in March from 14.3 per cent in February, according to the Ministry of Employment and Labour.

The number of people out of work fell by 3 per cent or 14,831, to 479,861 at the end of March from February. *AFX, Brussels*

Brussels concern on oil refining

The profitability of the European oil refining sector is "very poor", due to excess capacity, changes in product mix and increasing environment spending, the European Commission said yesterday in a report aimed at identifying key issues in the industry and its implications for the EU.

"While the oil industry as a whole shows today a generally good financial performance, mainly due to its vertical integration, each individual activity such as refining has to be considered on a stand-alone basis," the report said. "Currently, there is excess capacity and the refining sector profitability is very poor due to a combination of several factors."

The report said some restructuring in the refining industry seems likely in the short term and the Commission will continue to discuss this with the industry and member states but without intervening directly. *AFX, Paris*

G7 talks on Chernobyl closure

Group of Seven experts have resumed negotiations with Ukrainian officials on shutting down the Chernobyl nuclear power plant through a $3.1bn contribution from western countries.

Mr Yuri Kostenko, Ukraine's environment and nuclear security minister, said that the G7 industrialised countries were now offering $2.6bn in loans and $514m in aid for the shutdown of the plant, which was the site of the worst civilian nuclear disaster in 1986.

He said that the money was a "starting sum" and the final amount would be decided at the G7 summit in Moscow later this month.

The initial accord reached in December called for $2.6bn in loans from the G7. The offer was increased in order to try and have the plant permanently shut. *AFP, Kiev*

Romanian capital inflows rise

Total foreign investment in Romania since the country ousted the communist regime in 1989 rose to $1.721bn by the end of March, from $1.597bn in 1995, the Romanian development agency said yesterday.

The agency, the main foreign investment promoter, said foreign investors injected $114.1m in the first quarter of 1996, with the period's largest contribution – $12.1m – coming from Shell Gas Romania, a joint venture with Butagaz International BV, a unit of Shell.

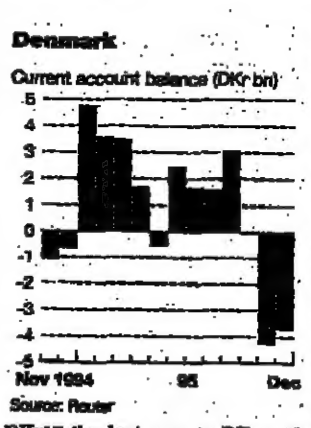
Germany was the largest foreign investor in Romania, with $159.3m contributed over the past six years or so, followed by South Korea with $159.2m.

Local analysts say Romania has failed to attract the foreign investment other East European countries have due to inadequate corporate laws, red tape and slow progress in free-market reforms, including privatisation.

However, government officials expect foreign inflows to rise this year as Romania opened a bourse and took faster steps towards privatisation with a mass sell-off. *Reuter, Bucharest*

ECONOMIC WATCH

Danish current account on slide



Denmark's surplus on the current balance of payments fell from DKr18.9bn ($3.3bn) in 1994 to DKr8.1bn last year, the lowest for five years, according to the official statistical bureau. The bureau said the surplus may be reduced by DKr4bn-DKr5bn when the figures are revised to take account of the final trade returns. The bureau announced a current account deficit of DKr3.7bn in December, compared with a deficit of DKr4.3bn in November 1995. The surplus on trade in goods and services was cut by DKr17.4bn last year to DKr41.3bn, which is about 4.5 per cent of GDP. The preliminary foreign trade figures showed a fall in the trade surplus by DKr8.1bn to DKr29.4bn as exports rose by 2.4 per cent to DKr272.5bn, while imports rose by 6.4 per cent to DKr243.0bn. The current account moved into surplus in 1990 for the first time after 26 consecutive years in deficit, with the surplus peaking at DKr30bn in 1993. Revised growth forecasts last week predicted a reduction in GDP growth to 1.6 per cent in 1966 from 2.7 per cent in 1995. *Hilary Barnes, Copenhagen*

NEWS: EUROPE

Bosnia yields to US over ties with Iran

By Harriet Martin, Sarajevo Correspondent

The Bosnian government says it is downgrading ties with Iran, following US complaints about the level of Iranian military involvement in the country.

Western diplomats said the US, which has pressed Bosnia to abide by its obligations under the Dayton agreement to expel "foreign forces" from its territory, had cautiously welcome the change of line.

The policy change follows February's raid by troops from Nato's peace Implementation Force (Ifor) on what US officials described as an Iranian-run "terrorist training camp" close to Sarajevo. The Nato troops found a cache of weapons, maps and models (apparently of Ifor bases), and return air tickets to Tehran. Mr Mirza Hajric, a Bosnian government spokesman, said yesterday the Bosnian army was entitled to receiving training in guerrilla techniques, but he acknowledged that using Iranian help had been a mistake.

"It's clear that after the Dayton agreement we need skilled people who can chase down war criminals and work in counter-terrorism," he said. "We were trying to educate our people for this."

He added: "What was a desperate mistake was that there were a couple of Iranians involved in this, rather than Americans or British."

Mr Hajric insisted that after four years of receiving strong support from Iran, the Bosnian government would not completely cut their ties with that country. "We are currently establishing social and cultural relations but not military ones," he added.

Mr Bakir Alispahic, who as head of Bosnia's intelligence agency was responsible for the camp, has been demoted apparently under US pressure.

US officials welcomed the downgrading of Mr Alispahic as a sign of weakening Iranian influence, but said they thought that several more training camps might still be operating, planning attacks against US troops.

Under the Dayton agreement all foreign forces were supposed to leave Bosnia by the end of January.

Last month, Mr Hasan Muratovic, the prime minister, claimed there were no "mujahideen" fighters left in Bosnia. But President Alija Izetbegovic, who has taken pride in being on good terms with both the US and Iran, said that about 50 Iranians – whom he described as former members of a mujahideen unit – were still in the country.

Ifor officials put the number of Moslem fighters from other countries at around 200. The US has threatened to suspend its programme to equip and train the Bosnian army unless these fighters are expelled.

Last month Mr Muratovic visited Tehran and discussed the establishment of a joint Bosnian-Iranian bank to encourage investment and trade. President Izetbegovic described the visit as a means to "re-establish our relations with Iran on new foundations".

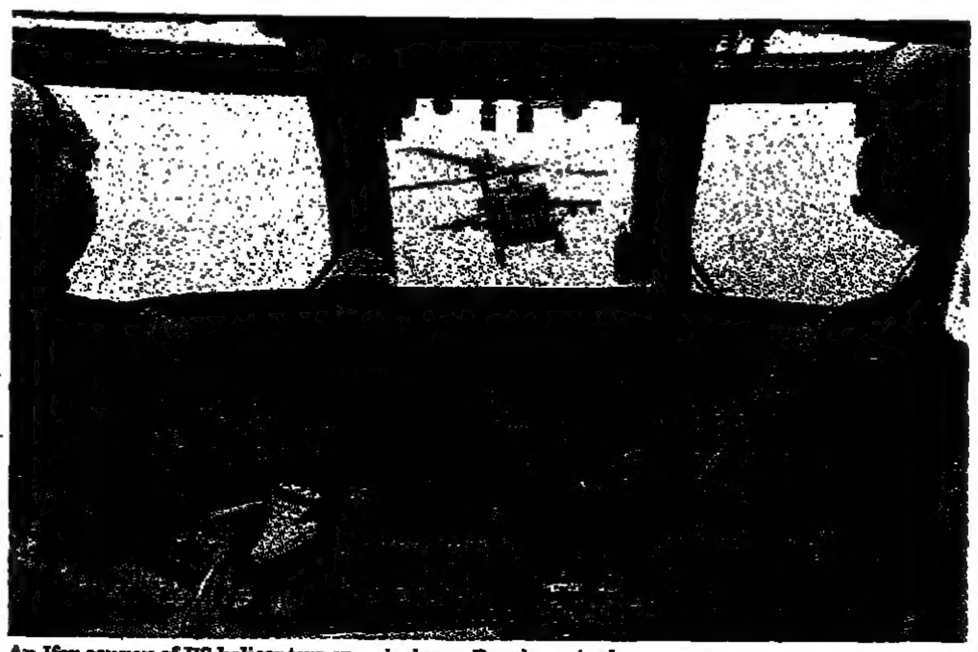
Although government policy has apparently shifted, observers say the loyalty of the military to Iran will be slower to wane. Throughout the war the Iranians provided support to soldiers' families, as well as training camps, and is widely assumed to have supplied arms in contravention of the United Nations arms embargo.

Gen Rasim Delic, the Bosnian army commander, has described US pressure to sever links with Iran as "blackmail that won't pass easily. We fought for four years without help from the west".

The downgrading of relations with Iran coincides with a proposal from Saudi Arabia to contribute a battalion of troops to Ifor. This follows the claims by a Saudi official in February that, during the Bosnian war, Saudi Arabia had secretly supplied Bosnia with $300m worth of arms with tacit US help.

This claim was denied by Washington. The Saudis and Americans worked together in the 1980s to arm the anti-Soviet Moslem fighters in Afghanistan.

Diplomats said it would be a "relief" for the US to have an official Saudi presence in Bosnia to counterbalance the influence of Iran on the Bosnian government.



An Ifor convoy of US helicopters on patrol over Bosnia yesterday Reuter

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R

EU directive may prompt new challenge from the Commission

Danes set to defend beer can ban

By Hilary Barnes in Copenhagen

Denmark is preparing to dig in its heels in defence of its legal ban on selling drinks in cans.

Under a new European Union directive, Danes fancying a can of beer should be able to buy it from the local store, instead of having to cross the border to Sweden or Germany as they do at present.

Denmark introduced the ban on beer and soft drinks in cans in the 1970s on the grounds that bottles were environmentally preferable, because they could be easily reused.

An earlier attempt by the European Commission to have the ban lifted failed in 1988 when the European Court ruled against Brussels' argument that it constituted a technical barrier to trade.

On June 30 this year, however, the EU packaging directive comes into force. Among other things, it appears to signal the end of Denmark's ability to defend its ban on the sale of drinks in cans.

But the Copenhagen government's environment agency said yesterday that there were no plans to amend the law. It would be up to Brussels to decide on a new challenge.

The government's 1988 victory over the Commission was widely interpreted in Denmark as a signal that the European Court would in some circumstances allow environmental considerations to take priority over trade rules.

But Denmark's argument that cans are environmentally undesirable has been weakened by developments in neighbouring Sweden, which has introduced a successful deposit scheme for cans. As in Denmark's scheme for bottles, customers receive a small payment for every can returned to a shop.

The Danish returnable bottles scheme, operated by the country's breweries and soft drinks manufacturers, restricts imports of beer. However, Denmark's breweries, including Carlsberg, do produce substantial quantities of canned beer already – for export only.

French defence big guns look for right target

David Buchan on an industry facing big changes

President Jacques Chirac gave the ant hill of France's defence industry a powerful kick with his announcement in February that it faces long-term military equipment cuts and restructuring around a privatised Thomson electronics group and a merger of Aérospatiale and Dassault.

This set the ants scurrying around, but they are still looking to the government for a sense of direction.

This is not preventing French defence companies from reaping the benefits of some of the foreign plans they have already laid. As Mr Marcel Roulet, the new head of Thomson recently indicated, the negotiations by Thomson-CSF and Britain's GEC to merge their sonar operations are very close to fruition.

The Matra defence division of the Lagardère group is still set on merging its missile business with that of British Aerospace, if only they can win this summer's contract for a new UK stand-off missile. Two state-owned companies, the Giat tank and arms manufacturer and the SNPE explosives maker, want closer ties with Royal Ordnance in the UK and other European companies.

But all eyes are turned on domestic restructuring, where one of the biggest question marks is whether the government really intends to carry out Mr Chirac's public pledge to sell Thomson as a whole.

The group is made up of Thomson-CSF, the profitable and lightly-indebted professional electronics company whose sales are two-thirds military and one third civil, and the loss-making and heavily-indebted Thomson Multimedia, a maker of television and consumer electronic products.

Selling Thomson-CSF now and leaving Multimedia for later would seem logical. An official recently noted that Mr Chirac had made his pronouncement in the context of his defence reforms, thereby implying that all the president wanted to ensure was that the FFr36bn ($7.2bn) a year business of Thomson-CSF was not broken up.

On the other hand, the government fears that partial privatisation will be seen as asset stripping, and evidently wants to use Thomson-CSF as bait to hook a buyer for Multimedia. Mr Roulet, who is charged with presenting a detailed privatisation plan to the government, has so far talked of the "synergy" between civil-military "dual technology" in terms so ambiguous that they could apply either to Thomson-CSF alone or to both Thomson companies together.

The shape of Thomson's sale may determine its buyers. After a board meeting of his group, Mr Jean-Luc Lagardère issued a statement yesterday saying "the privatisation of Thomson-CSF interests our group to the greatest degree", and that Matra and Thomson-CSF could be a "world force" in defence electronics. However, he would make no offer until the government had set final conditions of sale.

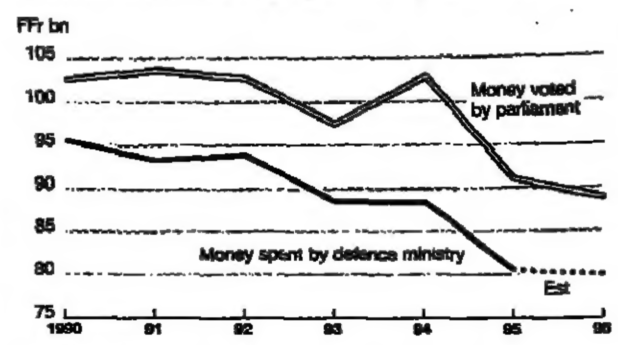
But a rival suitor for Thomson, Mr Serge Tchuruk of Alcatel, last week guilefully tailored his public remarks to government wishes. "This [Thomson] is too fine an enterprise to be broken up. The state has made the right decision in wanting to privatise it en bloc," said the president of Alcatel, for whom defence is only a small portion of its telecom and engineering business.

As for the Aérospatiale-Dassault merger talks, they have not even started. In February, the government announced an Aérospatiale-Dassault "pilot committee" to steer the two companies towards a firm merger plan by the end of June, but Mr Serge Dassault, who owns 49.9 per cent of his company, is still haggling with the government over the price of his shares, and his place in a merged company, and has yet to tackle the industrial side of the equation with Aérospatiale president Mr Louis Gallois.

Indeed, the latter now seems to have in mind wider mergers, flowing from Aérospatiale's current discussions with Daimler-Benz Aerospace (Dasa) and BAe on turning Airbus from a consortium into a proper company. Mr Gallois said last week that such an Airbus company raises "the question of a strategic rapprochement of these three companies". He has in mind real financial links to cement their industrial co-operation, a startling prospect that would also require some privatisation of Aerospatiale, maker of France's nuclear missiles.

Into this maelstrom, the government has thrown a new chief of defence procurement, Mr Jean-Yves Helmer. The mission of this ex-head of Peugeot cars is to get a 30 per cent long-term improvement in productivity from the defence industry and from the defence ministry's procurement executive. He has been told his equipment budget will be no more than FFr86bn a year (in constant 1995 francs) over 1997-2002. In fact, in recent years, the government has spent less than parliament voted. But he will have to show a better return, or "more force for the franc".

French defence equipment spending



Source: French Aerospace Industry Association (GIFAS)

NEWS: THE AMERICAS

A wheeler-dealer who has made commerce hum

Jurek Martin on the bustling career of Ron Brown, a US cabinet king-pin, who was missing after a Balkan air crash last night

Washington is a town where egos come in larger-than-life sizes. But few of its long line of illustrious insiders have combined self-confidence and political skills as well as Ron Brown, the 54-year-old secretary of commerce.

His career, even if blighted by accusations of scandal, has indisputably been crowned by two remarkable achievements. In the cabinet of President Bill Clinton he has transformed one of the most moribund departments of government into a genuine powerhouse, admired by US businesses whose cause he has tirelessly promoted and even, grudgingly, by Republicans who thought the commerce department should be abolished.

Comparable accolades were earned for his tenure as chairman of the Democratic party. He assumed that position in the wake of the defeat of Mr Michael Dukakis by Mr George Bush in the 1988 presidential elections, a third consecutive demoralising Democratic loss in the race for the White House, and left it after having played a major role in Mr Clinton's victory of 1992.

Mr Brown was born in 1941 in the nation's capital but grew up in Harlem, New York City, where his father managed the Theresa Hotel much patronised by black musicians and entertainers. He obtained his first degree at Middlebury College, the well-regarded and exclusive university in Vermont, and his lawyer's qualification came from St John's University in New York, another top-notch institution.

In 1967 he was recruited to join the Urban League, the inner-city lobby that was a major force in the US civil rights movement, eventually rising to become its general counsel and head of its Washington office.

In 1980 he helped to run Senator Edward Kennedy's campaign for the Democratic presidential nomination and then joined his staff in the Senate.

Commerce secretary Ron Brown on his arrival at Tuzla air base in Bosnia yesterday Picture: Reuter

But, a year later, citing the need to make more money, he joined the Washington law firm of Patton, Boggs and Blow, well known locally for its lobbying influence and its range of wealthy clients. Mr Brown brought to the firm such well known companies as Sony and American Express, yet still found time to advise the Duvalier regime in Haiti.

In 1988, he was the Democratic party's convention manager for the campaign of the Rev Jesse Jackson, the civil rights leader, yet he was chosen to be chairman of the Democratic party the following year. The selection was controversial – no black person had run a national party before – but the ease with which Mr Brown moved among all segments of the party, including conservative southern Democrats, and his organisational and fundraising skills quickly proved exceptional.

His reward from the newly elected Mr Clinton was the commerce department. It surprised many who knew him to discover that this backwater was always Mr Brown's first choice. But he confessed that his ambition was always to be the chief executive of a major company and he saw his office as, at the minimum, a way of getting to know and to learn from those already wielding corporate power.

Mr Brown, in effect, has shifted the department so that all available resources were concentrated in US export promotion. He recruited bright, aggressive policy-makers – such as Mr Jeff Garten, the former under-secretary of commerce and now head of Yale University's business school – to activate the bureaucracy.

He set up a "war room" to track the top 100 contracts up for grabs around the world and to ensure that US corporations knew what their foreign opposition was doing. This produced some spectacular, multi-billion dollar dividends – AT&T's telecommunications development of Saudi Arabia, Raytheon's environmental management scheme in Brazil, Enron's energy project in India.

In all of these, Ron Brown never hesitated to use the clout of the White House where it could make a difference and, as in Northern Ireland, he was willing to take the commercial lead when US foreign policy needed supplementing. He was an indefatigable traveller, often in the company of US executives, and it was said that, whenever peace was signed anywhere, Ron Brown would arrive on the next flight to see what could be done next.

His critics, at home and overseas, thought his approach smacked of mercantilism run riot. But its successes – and his own vigorous arguments – helped to ensure the survival of the commerce department in the face of Republican demands that it be abolished.

Also, Mr Brown's activities as a financial wheeler-dealer began to catch up with him in Washington. Last year, an independent counsel was appointed to investigate a series of complex business deals, covering what are alleged to have been inaccurate financial disclosures, conflicts of interest and influence peddling. That probe, which was recently widened, has yet to be concluded.

Ron Brown has also brought extraordinary style to all he did. Always superbly tailored, his enthusiasm as a salesman for America and his ability to communicate in boardrooms and political backrooms, were never run-of-the-mill.

And, whatever his ethical shortcomings, Ron Brown has always produced on the bottom line.

Commitment of US troops abroad troubles public

Bosnia peril for Clinton

By Patti Waldmeir in Washington

If any foreign policy issue can harm President Bill Clinton's chances of re-election in November, it is Bosnia.

Opinion polls show that the US public is at best deeply ambivalent about the presence of American troops in Bosnia. Images of US soldiers returning from the Balkans in body bags are the stuff of White House nightmares.

But, so far, those nightmares have not turned to reality, and it is too soon to say what impact the presumed death of Mr Ron Brown, US commerce secretary, and of a number of senior US corporate executives, will have both on the public psyche, and on policy towards Bosnia.

Much will depend on the circumstances surrounding the crash of Mr Brown's US air force aircraft near the Croatian port city of Dubrovnik. For the White House, the least damaging circumstances would be those reported initially from the region: that the aircraft went down in bad weather, with no suspected involvement of hostile forces.

The loss of Mr Brown, a highly respected commerce secretary who has built strong ties with private sector business, would still be a serious blow to the administration. But it would rank as an accident, which could have happened anywhere, and thus would not necessarily imperil US policy on Bosnia.

However, even accidental deaths in Bosnia – especially such prominent ones – could have an effect on US public opinion. The presidential primary election campaign this year has demonstrated the unpopularity of US troop involvement in Bosnia among conservative sections of the electorate. Mr Pat Buchanan, the conservative commentator, tapped a new vein of foreign policy isolationism when he attacked the White House's Bosnia policy.

Opinion polls show that many Americans – some polls show more than half – disapprove of the presence of US troops in the Balkans, either because they believe the troops cannot end a war with such deep historical roots, or because they reject the traditional US role as world policeman, wherever it is exercised.

If, on the other hand, any evidence of hostile action against Mr Brown's aircraft were to surface – which seemed increasingly unlikely last night – that would prove a serious blow to both President Clinton and his Balkan policy.

At the very least, the US public would demand that culprits be severely punished, and the White House would have to fight a strong tide of public reaction to keep to its original goals in the region.

Fears for executives on crashed plane

By Nancy Dunne in Washington

The executives who accompanied Mr Ron Brown, US commerce secretary, often flew on their own planes or travelled separately, so it was not clear yesterday who was on the flight that crashed.

Bosnia was not a favoured investment target for US companies, so the Commerce Department used hopes of $5bn in reconstruction projects to attract executives to Mr Brown's mission.

About 10 department employees accompanied Mr Brown on his trip to the Balkans, but it is not known how many were on the secretary's plane when it went down. A department spokesman said 12 corporate executives were to go on the trip yesterday with Mr Brown, but he did not know how many went in fact.

Most of the executives on the Balkan mission headed infrastructure and transportation companies.

Among those on the mission were: Mr Stuart Tholan, president of Bechtel for Europe, Africa, Middle East and Southwest Asia; Mr Donald Terner, president, Bridge Housing Corporation of San Francisco; and Mr Leonard Pieroni, chairman of Parsons Corporation, Pasadena, California.

Executives of Harza Engineering Company, of Chicago, yesterday were anxiously awaiting word of their chairman, Mr John Scoville. They said he was highly respected as a leader in the field of engineering services.

AT&T said Mr Walter Murphy, vice-president of global sales for undersea cables, was believed to be on the flight. Mr Murphy, 52, had not been on the list of corporate participants.

War damage has hit the region's traffic systems badly

Big risks in air travel

By Our Foreign Staff

Travelling around the rugged landscape of ex-Yugoslavia has always been a challenge, and the damage wrought by war to the region's entire infrastructure – including its airports and air traffic control systems – has increased the risks.

The region's terrain has already claimed the lives of three US envoys to the region: the senior diplomat Robert Frasure and two colleagues who died when their armoured vehicle overturned on Mount Igman outside Sarajevo, the Bosnian capital, last August.

That incident, which redoubled the US administration's determination to make peace, was linked indirectly to the war: the convoy had to use a mountainous dirt track because all other routes into the city had been blocked by the Serbs.

But, since then, rumours have abounded in Sarajevo that the real cause was sabotage, not accident – and that the intended victim was Mr Richard Holbrooke, the US chief envoy to the region.

Yesterday's crash near Dubrovnik appears to have been the result of bad weather conditions but, in the conspiratorial world of the Balkans, it will doubtless give rise to a new spate of rumours.

Dubrovnik is a notoriously difficult place for aircraft to land. Pilots coming in from the northwest have to overshoot the coastline, overflying the 1,200-metre Mount Leotar above the walled medieval port, and double back over the sea towards the airport.

"You feel as though you are flying into the mountain," said one recent visitor to the city.

Dubrovnik airport lies less than a mile inland, wedged between the coastal highway and the Dinaric mountains. "It is risky to land if the pilot is not familiar with the terrain," said a Croatian aviation expert. "It can be very windy, and recently there has been both wind and rain. But that should not have affected a large aircraft such as that one."

The Dubrovnik runway has been shelled several times by Bosnian Serb forces in the hillside town of Trebinje, which stands about 14km above the airport.

The proximity of Bosnian Serb forces, and of the republic of Montenegro which is allied to Serbia, has generally prompted Croatian pilots to avoid flying overland anywhere near Dubrovnik.

However, the Bosnian Serbs' air-to-ground missile system was largely destroyed by Nato's bombing raids last September.

The Dayton peace agreement gives Nato sweeping powers to regulate the air space over Bosnia, and it specifies that all air-defence systems should be switched off.

NEWS: INTERNATIONAL

UN team asks to see Nigerian detainees

By Paul Adams in Lagos

A United Nations team in Nigeria for a 12-day fact-finding mission on democracy, human rights and last year's Ogoni crisis, has arrived in Lagos to meet non-governmental organisations, opposition politicians and diplomats.

The UN mission was proposed by secretary-general Boutros Boutros Ghali to rehabilitate Nigeria's military regime after the diplomatic row over the execution of Mr Ken Saro-Wiwa and other Ogonis last November. This led to Nigeria's suspension from the Commonwealth, tightening of sanctions against General Sani Abacha's military regime by the US, Canada and the European Union, and pressure for more sanctions in Washington.

After protesting on arrival to the government that its itinerary allowed too little time, especially in the south of Nigeria, the team has had its trip extended and will include three days in the Ogoni and Port Harcourt region.

The team has asked to see at least 12 government opponents, most of them imprisoned, including Mr Moshood Abiola, the winner of the 1993 presidential election, former president Olusegun Obasanjo, and democracy campaigner Dr Beko Ransome-Kuti, both jailed by a secret tribunal last year.

Mr Michael Ajasin and Mr Anthony Enahoro, leaders of the National Democratic Coalition (Nadeco), are also on the list.

The government has not yet replied to the requests but the UN mission may offer a chance for the regime to end its pariah status in return for concessions. Diplomats believe that the mission can press for the release of some political detainees. The team will report back to Mr Boutros Ghali with specific recommendations for the Nigerian government.

Despite a list of options for further measures which the US has proposed to the Europeans, effective economic sanctions are unlikely.

Armed AWB members outside the Johannesburg Supreme Court yesterday. Their colleagues were convicted of murder Reuter

South African bombers jailed for 26 years

Five South African neo-Nazis were each jailed for 26 years yesterday for murdering 20 people in a bombing blitz aimed at disrupting South Africa's first all-race elections in 1994, Reuter reports from Johannesburg.

The men were members of the Afrikaner Resistance Movement, whose leader Eugene Terre Blanche, dressed in camouflage uniform, led weeping relatives from the Rand Supreme Court in Johannesburg after the sentencing.

Judge Monus Flemming accepted the men's actions were coloured by political perceptions after hearing submissions that they falsely believed pre-election South Africa was on the verge of anarchy and bloody revolution.

The judge delayed sentence against four right-wingers who escaped from prison last month.

The blitz began three days before the election when a car bomb exploded outside a Johannesburg hotel, a few metres from the ANC's regional headquarters, killing nine people.

The campaign culminated in an explosion at Johannesburg airport.

Saudi debt move gets mixed response

Robin Allen on steps by Riyadh to repay part of $100bn it owes farmers and contractors

The latest attempt by the Saudi government to settle some of its long overdue debts to the private sector has received a mixed response from commercial banks.

The debts, some SR9.6bn (£1.7bn) owed to farmers, are part of a domestic debt totalling SR375bn ($100bn), about 76 per cent of gross domestic product, caused by massive borrowings in the past five years and by delays on payments to other parts of the private sector, notably state contractors and suppliers.

Most of these debts, according to economists, are borrowings from the state pension fund and social security system. Others are debts owed by one nationalised company to another.

But more than SR75bn is accounted for by government development bonds and treasury bills held by Saudi commercial banks and money owed to the private sector either by government ministries or by state companies such as the national airline Saudia and the Grain Silos and Flour Mills Organisation.

In a compromise, the government last month started issuing SR9.7bn worth of non-interest bearing promissory notes (IOUs) to some 23,000 farmers who had not been paid for up to five years by the GSFMO.

Some banks are willing to buy the IOUs at an average discount of 1 per cent over the equivalent treasury bill rate, with the result that, "for the time being commercial banks, rather than the government, are making cash hand-outs to the farmers", said one banker.

However "many banks are concerned there is no return on the IOUs until the full amount is paid by the government at redemption," said a diplomat.

This week the government repaid some of its arrears to contractors with the redemption of the first tranche of a SR5.5bn special bond issue made in March last year to 120 local and foreign contractors.

The practice of delaying payments for two or more years has been part of unwritten government policy since the 1986 oil price fall. What is different today is the magnitude of these debts, which have steadily accumulated in the last decade and particularly since the 1990-91 Gulf War.

Both Saudi Arabia and Kuwait had to draw down as much as $60bn each as a result of Operation Desert Storm. This forced both countries to liquidate much of their overseas assets. In Saudi Arabia's case, annual draw-downs on these had traditionally been the principal method used to finance successive budget deficits.

But with the fall in their reserves, this is no longer possible. At the same time continuing low oil prices have not been offset in either country by proportionate cuts in welfare benefits and state subsidies on petrol, electricity, water and telephone rates; or, in Saudi Arabia, on domestic airfares. As a result, according to economists in Riyadh, Saudi Arabia last year recorded budget and balance of payments deficits for the 13th consecutive year.

In Saudi Arabia, the government's position is made worse by a range of massive agricultural subsidies, particularly to wheat farm, unique among oil producers. Although these subsidies are being run down, they are still a drain on limited oil revenues, which account for some 75 per cent of the state's annual income.

The farm subsidies began in 1979 when, stung by suggestions from Mr John Block, the then US agriculture secretary, that Saudi Arabia had no business being in farming and should rely on imports from the US, the government immediately announced its intention to become "self-sufficient" in food production.

As a result billions of dollars of oil revenues were thrown into exploiting the country's finite resources of aquifer water. The government underwrote everything from seed, equipment, and crop purchases to subsidised water and power.

The result was that Saudi Arabia, home to one of the harshest climates in the world and producer of the world's most expensive wheat, became a big exporter, consolidating the losses by "selling" – critics say dumping – wheat on neighbouring markets for less than prevailing market prices, or giving it away as foreign aid. Peak production of 4m tonnes was reached in 1992. Annual domestic consumption has never been more than 1.5m tonnes.

But the farming sector has fallen on hard times. Saudi residents say centre pivot irrigation systems – "that spectacular manifestation of economics gone mad", as one long-time resident put it, responsible for vast circular tracts of green surrounded by desert and easily seen from the air – now lie derelict.

By 1994 state subsidies had fallen to $850m, less than half the previous year. The same year the government instructed the GSFMO not to buy any wheat from the six largest producers, several of which are companies owned by members of the Al-Saud ruling family, and to apply strict quotas on purchases from smaller commercial farmers.

This year's wheat production is expected to fall to about 2.2m tonnes, down from the 1994-95 crop of 2.5m tonnes.

INTERNATIONAL NEWS DIGEST

Brazil inflation at record low

Brazil's inflation has fallen to its lowest level in nearly 40 years as economic policies underpinning the Real currency, launched in 1994, have brought price rises to a near standstill. Inflation as measured by the São Paulo based Fipe institute was just 0.23 per cent in March, the lowest increase since December 1958.

Cheaper clothes and lower food costs were the chief reasons behind the figures, which analysts saw as a significant lift for the government of President Fernando Henrique Cardoso, which has built its credibility on keeping inflation under control.

The March figure is likely to be the lowest for some time, and Fipe is forecasting that in April inflation will increase to about 1 per cent. Government and private sector economists expect inflation for the year to be about 15 per cent, compared to 23 per cent last year. *Angus Foster, São Paulo*

US consumers spending more

US consumer spending and personal incomes grew vigorously in February, confirming other evidence of an economic rebound, official figures indicated yesterday. Separate data on factory orders, however, showed continuing weakness in the manufacturing sector.

Consumer spending rose 0.9 per cent in February in real terms, after a fall of 0.7 per cent in January. Economists at Merrill Lynch in New York said the figures pointed to real growth of consumer spending in the first quarter at an annual rate of 2- 2.5 per cent, significantly faster than at the end of last year. *Michael Prowse, Washington*

Morocco to end currency fixing

Morocco's central bank has said it will end currency fixing from May 2, authorising a domestic foreign exchange market. The Bank al-Maghreb authorised banks and designated dealers to quote buy-and-sell rates for the Moroccan dirham within a band specified by the central bank from that date. The central bank at present fixes the value of the dirham daily against a basket of currencies which reflect Morocco's external trade positions. *Reuter, Rabat*

Libya warned on chemical arms

US defence secretary William Perry said yesterday that the US would not rule out military action to stop Libya producing chemical weapons at a new underground site. He said he showed Egypt's President Hosni Mubarak evidence of Libya's programme to develop chemical weapons and said the US would not allow any new weapons plant. *Reuter, Cairo*

Child labour seen as 'essential'

In a report on child labour, the International Labour Organisation says today that a quarter of children under the age of 15 are employed in parts of Ghana, India, Indonesia and Senegal and most hand over their earnings to their parents. Among the working children studied between the ages of 5 to 14, the majority worked nine hours a day and could work six or seven days a week, particularly in the rural areas.

The ILO said children's work was often considered essential to maintaining the economic level of the household, either in the form of wages, of help in household enterprises or of household chores that free adult household members for economic activity elsewhere." The findings indicate how difficult it is for the ILO to carry out its commitment to abolish child labour across the world. *Robert Taylor, London*

Ruggiero plan to revitalise liberalisation

WTO may propose giant trade summit

By Guy de Jonquières in London

Mr Renato Ruggiero, director-general of the World Trade Organisation, is considering proposing a special meeting of world leaders, aimed at injecting fresh political momentum into multilateral trade liberalisation.

The meeting would be held late next year or early in 1998. It would bring together heads of state and government from nearly 120 WTO members and would be the largest economic summit in history.

The WTO chief has raised the idea informally in recent meetings with ministers and senior officials of a number of the world's leading trading powers. If it attracts enough support, he is expected to formulate a precise proposal later this year.

"Mr Ruggiero is in the process of sounding out views. There seems to be a good deal of interest," a WTO spokesman said. The summit would be called to mark the 50th anniversary of the Havana Charter, the international agreement which laid the foundations of the multilateral trade system and led to the creation of the General Agreement on Tariffs and Trade, the World Trade Organisation's predecessor.

Mr Ruggiero is said to believe strongly that the conference should be more than a ceremonial event, and that a substantive agenda should be prepared for discussion and endorsement by the leaders.

Mr Ruggiero has been studying ways of raising the political profile of the WTO, at a moment when it is being called on to tackle a range of difficult and potentially controversial new policy issues.

He is also concerned that the growth of regional trade groupings in many parts of the world threatens to distract policymakers' attention from the multilateral system. He hopes that a summit which reaffirmed the system's central principles would give new impetus to the WTO's work and help strengthen public support for global free trade.

London is among the possible venues for the conference, which has been endorsed in principle by the British government. But Washington is also favoured, on the grounds that the US president would be more likely to be able to attend.

Some trade diplomats have suggested that if the summit went ahead, it could provide a diplomatic pretext for changing the timetable of WTO ministerial meetings, the first of which will be held in Singapore in December.

At present, the meetings are scheduled always to occur in US presidential or mid-term election years, when trade policy usually ranks low on Washington's political agenda.

China and Japan 'double-yolk' partnership has deep economic implications

Asia 'to dominate 21st century trade'

By Tony Walker in Beijing

Trade between China and Japan will grow significantly in the next two decades – surpassing that of the US and Japan – with "profound economic and strategic" implications for the region and the world, according to a new study.

An economic partnership between China and Japan could lead to the creation of a huge "double-yolk" economy in North Asia similar to the relationship between the US and Britain after a century of antagonism or France and Germany, partners in the European Community.

The study, by the East Asia Analytical Unit in Australia's Department of Foreign Affairs and Trade, concluded that China and Japan would generate up to 28 per cent of world trade in 2015 compared with 13 per cent in 1993.

Their own trading relationship would account for as much as 8 per cent of world trade compared with 1.7 per cent in 1993. US-Japan trade in 1993 was 4.3 per cent of world trade.

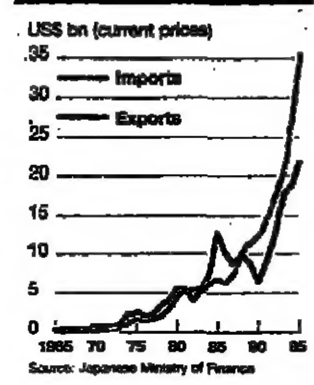
"Over the next two decades the China-Japan trade relationship will be transformed ... their trading relationship could be as important in global trade as the US-Japan trade relationship is at present," said the study, entitled *Asia's Global Powers: China-Japan Relations in the 21st Century*.

"For the first time in decades, China may become a more important market for Japan than Japan is for China. These developments will have a profound economic and strategic impact in the region and globally."

At present Japan is China's largest trading partner, and China is Japan's second most important trading partner. Their bilateral trading relationship is currently the fourth biggest in the world behind US-Canada, US-Japan and France-Germany.

In 1995, Japan's exports to China totalled $21.9bn compared with imports of $35.9bn – two-way trade of $57.8bn, a 25 per cent rise over 1994. Between 1972, the year the two countries normalised diplomatic relations, and 1994 trade grew from $1.1bn to $46.2bn.

Japan's trade with China



Source: Japanese Ministry of Finance

The study says the expansion of bilateral trade should "increase each side's economic interests in maintaining stable relations with the other", but it also warns that as the trading relationship becomes more complex technical disputes will inevitably arise over such issues as textiles.

Competition in third markets may also be a feature of future Japan-China trade relations, the study concludes. The range of sectors in which Japanese and Chinese exports compete is likely to expand as China's trade shifts from labour-intensive to capital- and technology-intensive manufactured goods.

Change in the structure of the trade relationship may also have an impact on broader strategic calculations about each other. After more than a century of Japanese economic ascendancy over China and the rest of East Asia, an historic shift will occur as China becomes the bigger trader and less dependent than Japan on the bilateral relationship.

The study believes long-term growth in China-Japan trade is "potentially very positive" since it will enhance specialisation and growth in each economy and open new opportunities for trade with third countries.

"Chinese and Japanese imports from other Asian countries are already an important stimulus to regional growth," it said. The "growth effects" of the integration of these two large economies would create an even larger market than the two economies represent separately.

But the study also warns that "dramatic change" represented by a growing and powerful trading axis between China and Japan would also present challenges for the region. This in turn would render "more crucial" the need for effective multilateral trade regulatory frameworks such as the Asia Pacific Economic Co-operation forum (Apec).

The study concluded that a China-Japan security axis was less likely than economic convergence. "China and Japan are not likely to be the only major players in the region," it said. "The presence of the US, and possibly Russia and India, is likely to ensure the region's security environment is multipolar."

But it added that, while the US security role in East Asia restricted the potential for rivalry between China and Japan, tension between the two could not be ruled out over such issues as territorial disputes. Chinese moves to control the South China Sea, and Taiwan.

Asia's Global Powers: China-Japan Relations in the 21st Century (East Asia Analytical Unit, Department of Foreign Affairs and Trade, Parkes, ACT 2600, Australia)

Manila removes infrastructure programme roadblocks

After long delays, big road and rail projects are getting under way, writes **Edward Luce**

Asked what the Philippine government's top three priorities were, one senior cabinet official recently replied: "Infrastructure, infrastructure and, of course, infrastructure."

With the notable exception of the ending of the power crisis three years ago, the government had, until this year, little to show for its ambitions. However, the inauguration of several "flagship" projects in the last few weeks suggests the logjam is at last shifting.

The decision last week to begin construction of the $660m Mass Rail Transit III (MRT3), which will track Manila's largest highway linking the business district to the Asian Development Bank and government departments in Quezon City, comes five years after the project was put on the drawing board.

Earlier this year construction also began on a 36km "skyway" road which will bisect Manila and do much to ease the Philippine capital's monstrous traffic problems. The first portion of the $550m "skyway" will link the centre of Manila to a $200m southern expressway to be built by Hopewell Holdings, the Hong Kong group. The 80km road will expedite access to the sprouting industrial port of Pagbilao in the south where Consolidated Electric Power Asia, a subsidiary of Hopwell, is building a power station.

To the north, a 180km expressway project agreed in January will link Manila with the special economic zones of Clark Airbase and Subic Bay Freeport, the former US military bases, in a fast-track "triangle" which is expected to accelerate growth in central Luzon, the Philippines' largest island.

Most of these projects are scheduled for completion by 1998. Probably their most important feature is that they are being constructed and financed entirely by the private sector.

"It has taken quite a while to come up with a formula which the private sector is happy with but it was worth the painstaking effort," said Mr Marc Dumol, chief of staff at the department of public works and highways. "Contrary to traditional wisdom, we are demonstrating that the private sector can make decent profits on road and rail projects without a cent of public subsidy."

With the advice of TransRoute, the French toll-road company, the Japanese government and the ADB, the Philippines has drawn up a standard 25-to-30-year build-operate-transfer contract for the construction of public highways. The "skyway", which will derive its revenues from an index-linked toll escalation clause starting at 6 US cents a km, is being constructed by

> An important feature is that they are being run entirely by the private sector

Citra, the Indonesian group owned by President Suharto's eldest daughter.

The Indonesian group, which is using rotating pierhead technology patented in Jakarta and designed to minimise disruption to traffic during construction, took two years to negotiate the contract. The government points out that Citra spent seven years hammering out a similar deal with the Indonesian government.

Litigation over rights-of-way meant that the MRT3 took a while longer to get started. The 17km elevated urban railway, which will be built and managed by a consortium of private companies including Sumitomo, Mitsubishi Heavy Industries and Ayala Land, a local real estate company, will make the bulk of its guaranteed 18 per cent return from spin-off projects, mostly in property.

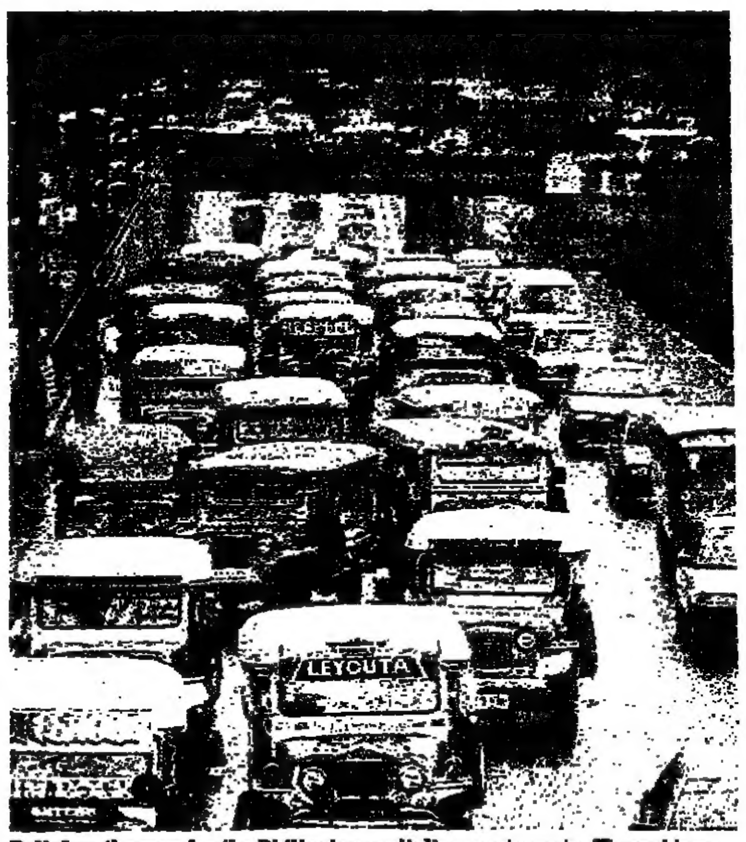
"We are satisfied that ancillary commercial ventures, such as shopping malls and hotel development around the main rail terminal in Quezon, will make the investment worthwhile," said Mr Jaime Ysmael, vice-president of Ayala Land. "With targets of up to a million passengers a day we think that the venture itself will also make money."

Plans are also under way to construct another mass rail system – linking the business district in Makati to old Manila – which would operate under a similar formula to MRT3. The government last month signed a memorandum of understanding with Bouygues, the French company, to manage the project.

Not all, however, is plain sailing for the government. With most of these contracts negotiated behind the scenes rather than tendered through a transparent public bidding process the government has exposed itself to allegations of graft. While not on the scale of the Enron affair in India, congressional controversy over the bidding process for the $700m northern expressway has cast something of a pall over the administration's improved track record.

Several congressmen have accused the winning consortium – led by Benpres Holdings, a diversified Philippine company – of paying bribes to beat its rival, Ital-Thai, the Chinese-Thai construction group, to the contract. As with Enron's power project in Maharashtra in India, however, government officials are confident the project will go ahead.

"The allegations against Benpres Holdings are absolutely baseless," said Mr Dumol. "We accept that projects not subject to public bidding should be scrutinised very closely. But this one was simply more professional than the alternatives."



Relief on the way for the Philippine capital's monstrous traffic problems

Resignation blow to Congress party

By Shiraz Sidhva in New Delhi

The Indian government, battered by scandals and defections ahead of general elections this month, suffered a further blow yesterday with the resignation of Mr P. Chidambaram, who as commerce minister was an architect of the country's economic reform programme.

He left the cabinet of Prime Minister P V Narasimha Rao in protest at his Congress party's electoral alliance with the ruling party in Tamil Nadu, Mr Chidambaram's home state.

He and Mr M. Arunachalam, minister of state for industrial development, who also quit yesterday, are to stand in the election as candidates of a breakaway Congress faction in Tamil Nadu.

"At a national level, Mr Chidambaram was so closely identified with pushing India's economic reforms through, that his decision to quit the party would definitely have a negative impact, especially among foreign investors, in whom he inspired great confidence," a Congress minister said.

Congress leaders also admit Mr Chidambaram's decision to join the Tamil Maanila Congress would seriously affect the party's chances in Tamil Nadu.

Mr Chidambaram, a Harvard-educated lawyer, had been a staunch Congress supporter and MP for many years. He served as home minister in Mr Rajiv Gandhi's cabinet 10 years ago. He and Mr Arunachalam had strongly opposed the revival of an alliance last week between Congress and the All India AnnaDravida Munnetra Kazhagam (AIADMK).

Though the two parties had formed an alliance in 1991 which swept all 39 parliamentary seats in the state, the AIADMK broke ties with Congress three years ago and flirted instead with the Bharatiya Janata party, India's largest opposition party.

The ministers are critical of the conduct of the state government run by the AIADMK under Ms Jayalalitha Jayaram, a film star turned chief minister.

India's gross domestic product will grow 6 per cent this year, a high growth rate for the third successive year, projections by the country's central bank show. The Reserve Bank of India said GDP growth was "about 6 per cent" in the year to last month and 6.3 per cent in 1994-95. Mr C. Rangarajan, bank governor, yesterday announced a monetary package to buttress the economy and hold inflation to an annual 6 per cent. The package includes a cut in the cash reserve ratio of commercial banks by one percentage point to 12.8 per cent. The cut will release Rs38bn ($1.1bn) for lending by banks. The Reserve Bank has planned for a 16 per cent rise in money supply. Last year, M3 rose 14.8 per cent. *R C Murthy, Bombay.*

A Congress party worker carries a cut-out of Prime Minister Rao at a New Delhi rally Reuter

Cable network reports 'completely groundless'

China hits Murdoch TV tie-up ambitions

By Tony Walker in Beijing

China's broadcasting chief yesterday poured cold water on Mr Rupert Murdoch's ambitions to establish a tie-up with state television organisations that would give him access to China's vast viewing audience.

Mr Yang Weiguang, president of China Central Television, said reports that CCTV was involved in negotiations with Mr Murdoch's Hong Kong-based Star TV to set up a cable network were "completely groundless".

Mr Yang, also vice-minister of the Ministry of Radio, Film and Television, said negotiations were "non-existent."

"I personally have not met Rupert Murdoch for a long time, so the issue does not exist of his co-operation with CCTV," Mr Yang said, adding that Chinese regulations prevented local TV stations and cable networks from carrying overseas satellite programmes.

Star, which is losing $80m-$100m a year on its Asia-wide satellite service, has been seeking a partnership with CCTV under which the state broadcaster would collect cable subscriptions for a new service tailored to the China market. Advertiser response to Star's free-to-air service has been limp.

CCTV, developing its own cable network, has been unenthusiastic about these overtures, seeing Star as a potential competitor. But Star had hoped to soften Beijing's resistance.

Star last week announced the setting-up of a new satellite network to be known as Phoenix, to broadcast Chinese-language programmes with the aim of improving access to the China market.

Partners in the venture include two Hong Kong-based companies: Today's Asia and China Wise International.

Mr Yang noted that Star's partners in the Phoenix venture were both "private corporations". He appeared anxious to distinguish official mainland broadcasters from the Hong Kong-based companies.

In contrast to his lukewarm remarks about Mr Murdoch and Star, Mr Yang praised Mr Kerry Packer, the Australian television proprietor who recently concluded a programme-sharing agreement with CCTV. "I very much appreciate Mr Packer's sincerity, decisiveness, and his enthusiasm," Mr Yang said.

The Chinese official was speaking after signing an agreement with PanAmSat Corporation, a US-owned satellite provider, to expand CCTV's global broadcasts.

Under the agreement, PanAmSat will broadcast up to six digital television channels worldwide for CCTV. PanAmSat has carried CCTV's international service since 1995. It is aimed at a Chinese-speaking audience among 60m overseas Chinese.

Mr Yang said China planned a "substantial expansion" with addition of five new channels to CCTV's international service. Beijing is anxious to beef up its international programming as part of efforts to present a more human face to the world.

UK bank fights Jakarta lawsuit

By Manuela Saragosa in Jakarta

Standard Chartered, the UK-based international bank, said yesterday it was "vigorously contesting" a $300m lawsuit in Indonesia brought by two customers of its Jakarta subsidiary.

The suit was brought by Ms Yee Mei Mei and Ms Azusa Matsuyama after Standard Chartered Bank froze funds they deposited, on suspicion the money was related to a $42m fraud case uncovered at the Hongkong and Shanghai Banking Corporation in Jakarta earlier this year.

Standard Chartered said it had been indemnified by HSBC and had the "full support" of the Indonesian central bank and finance ministry, which "wish to resolve the situation as quickly as possible".

But Ms Yee and Ms Matsuyama won a temporary order from the Jakarta district court to seize furniture, vehicles and computers at Standard Chartered's branch. The bank said no assets had been removed.

Standard Chartered, which says the dispute does not affect its finances or its ability to trade, declared it received a "suspicious transaction" involving a $1.1m cash deposit this year for the account of Ms Yee and Ms Matsuyama.

The bank reported the deposit to Indonesia's central bank and finance ministry, both of which advised Standard Chartered to freeze the funds until it could be ascertained whether there was a link between the customers and a case involving questionable transfers of money at the Jakarta branch of Hongkong Bank earlier this year.

No determination has yet been made on whether the deposit at Standard Chartered and the fraud case are linked, but the district court has apparently not so far acted on the continuing investigations.

Ms Yee, a Hong Kong national who owns a Vanuatu-based financing company called Dragon Bank, brought the case against Standard Chartered after the Jakarta branch refused to honour a series of cheques to be drawn on the account.

In a letter to Mr Rusdi Nurima, Ms Yee's lawyer, Standard Chartered said the cheques were refused out of "considerations of prudence". Mr Nurima alleges this damaged his client's reputation, caused Harapan Insani, a telecoms company linked to Indonesia's presidential family which is involved in a Taiwanese joint venture to cancel a contract for $4bn in financing from Dragon Bank.

In January, the Jakarta branch of Hongkong Bank found $42m had been fraudulently transferred to local banks through an elaborate chain of Indonesian and overseas banks. The police were called in and the bank is still working with authorities to resolve the matter.

Seoul OECD bid reviewed

By Robert Taylor, Employment Editor

South Korea must reform its repressive industrial relations laws before it is accepted as a member of the Paris-based Organisation for Economic Co-operation and Development, says a report published today by the OECD's trade union advisory committee.

Mr John Evans, the committee's general secretary, said yesterday the country "can either remain locked in cycles of conflict and repression brought about by the enforcement of labour laws dating from past military regimes before 1987 or it can reform its labour legislation and free imprisoned trade unionists, respecting its commitment to the International Labour Organisation and easing its entry to the OECD. Korea has little to fear and much to gain from this latter policy".

The OECD employment committee is expected to take up a position on South Korea's application for membership of the club of industrialised nations when it meets next month. A recent mission to the country by the International Confederation of Free Trade Unions has expressed private worries about what it sees as a worsening situation for trade unions in South Korea.

The country's violation of core labour standards have already been criticised by the ILO, the European Union and the United Nations. Restrictions exist on the freedom of workers to join or form trade unions, the right to strike and the right to conduct collective bargaining.

Union activists have been jailed and workers dismissed for taking part in labour disputes.

Both the Korean government and employers told visiting union officials from the International Confederation of Free Trade Unions that they needed more time to make changes in their existing industrial relations legislation.

But when South Korea joined the ILO three years ago it agreed to accept the organisation's core labour standards unconditionally.

Tokyo faces new round of party realignment

By William Dawkins in Tokyo

Japan yesterday faced the prospect of another round of political realignment when two frustrated rising stars, from the ruling coalition and main opposition, announced plans to combine forces in an independent group.

The attempt at a new grouping is the brainchild of Mr Hajime Funada, 42, a member of the 14-month-old opposition New Frontier party.

He said yesterday he had reached an outline policy accord with Mr Yukio Hatoyama, 49, a member of the centre-left New Harbinger party, smallest party in the government coalition.

Mr Funada, who in 1993 enjoyed a six-month spell as Japan's youngest cabinet minister, leads a group of younger NFP members who complain that the party, under Mr Ichiro Ozawa, has become even more conservative than the ruling coalition led by the Liberal Democratic party.

Mr Hatoyama, a member of one of Japan's richest families, is the grandson of the joint founder and first chairman of the LDP. Now number two in the NHP, he was cited in a recent poll as the most likely young politician to become a prime minister in the 21st century, followed narrowly by Mr Funada.

Funada: breaks away

The pair are agreed on the need for smaller central government, greater autonomy for local authorities and a balanced budget, officials say.

In other respects, the prospective new party's ideology, said by its supporters to be liberal and conservative, is as indistinct as that of the government and opposition.

The announcement was seen as the most serious of several otherwise unsuccessful attempts for a third force to counterbalance the LDP and NFP. It could de-stabilise both of them. "This is the first step in the next stage of political realignment," Mr Jeff Young, political analyst at Salomon Brothers Asia, said.

An attempt by the leftwing Social Democratic party, which has lost support over the past three years, to form a new group has been repeatedly postponed.

Mr Funada said he had reached agreement with his colleague, but had not yet invited others to join them. He aims to form the new group before the next general election, due by July next year.

Mr Ozawa, rather than the two young would-be rebels, is widely accepted as Japan's leading advocate of a more open style of government driven more by voters' aspirations than party factions.

Three years ago, he put together the first non-LDP government in nearly four decades and embarked on a programme of economic deregulation and political reform.

But Mr Ozawa's ability to carry out a radical agenda has been constrained by the need to keep together a disparate opposition. His blunt leadership style has attracted criticism from the ranks, creating a leadership chance younger politicians want to pursue.

Hanoi pressed on boat people

By Peter Montagnon, Asia Editor

Britain is to ask Vietnam to reconsider its refusal to accept repatriation of boat people from Hong Kong who are not of ethnic Vietnamese origin.

The request will be made by Mr Jeremy Hanley, foreign office minister, due to visit Hanoi next week, and relates to the pending cases of some 4,000 boat people, mostly of Chinese extraction, whose files have still not been processed by the Vietnamese authorities.

After a ruling by the Privy Council in London, the Hong Kong authorities have been obliged this week to release more than 200 Vietnamese from its camps because Vietnam had refused to accept them for repatriation on the ground they were not Vietnamese nationals.

Officials fear the move may raise false hopes among other boat people, creating resistence to voluntary repatriation similar to that last year when proposed US legislation apparently raised the prospect of settlement in the US.

The treatment of large numbers of boat people deemed to be of non-Vietnamese extraction is now the largest obstacle to the departure of all refugees before Hong Kong is handed back to China next year.

Beijing has insisted the process be complete by then. Both China and Taiwan have declined to take Vietnamese refugees of ethnic Chinese origin.

While making his request to Vietnam on the so-called pending cases, Mr Hanley is expected to express appreciation that repatriation of other refugees is now going more smoothly.

Only some 16,000 to 17,000 remain in Hong Kong. Officials say turn-round times for aircraft transporting them back to Vietnam have been significantly speeded up; monitoring efforts show returnees have been well treated on arrival.

Mr Hanley declined official comment on the refugees ahead of his departure.

ASIA-PACIFIC NEWS DIGEST

NZ coalition loses majority

The New Zealand coalition government lost its majority yesterday, following the defection of another MP to the New Zealand First Party headed by Mr Winston Peters. New Zealand First has soared in the polls since Mr Peters, a Maori, began a campaign against migration, especially from Asia, earlier this year.

It now has five MPs following the defection of Mr Peter McCardle from the National party, the coalition's main member, and Mr Jack Elder from the opposition Labour party.

The latest opinion polls show NZ First is second only to National in popularity, and Mr Peters has emerged as preferred prime minister. Following the defection, National has 41 MPs, the same as Labour, but governs with the support of the United Party's seven MPs and one Christian Democrat. *Terry Hall, Wellington*

Vietnam production rises

Vietnam's industrial production rose 12.4 per cent in the first quarter of this year from the same period of 1995, General Statistics Department figures showed yesterday. The country's trade deficit leapt to $840m in the same three months from $560m a year earlier. The department had originally reported a first-quarter 1995 trade deficit of only $85m.

Mr Tran Xuan Gia, vice-minister of planning and investment, said this week foreign investment was at a record in the first quarter. Licences for projects worth $1.15bn had been granted, a rise of 27 per cent from the first three months of 1995. Since the government began a cautious experiment in reforming the economy along market lines, investors have earmarked about $19bn for 1,375 projects, mostly in tourism, industry, oil and gas and construction. But only about a quarter of the investment pledged has been spent so far. *Reuter, Hanoi*

Sri Lankan privatisations

Sri Lanka will privatise seven state ventures, including a television station and a mortgage bank, this year and commission studies on reforming the petroleum sector and Colombo port, the privatisation agency said yesterday. Mr Rajan Asirwatham, head of the Public Reform Enterprise Commission responsible for privatisation, said it would advertise for investors locally and abroad.

The enterprises earmarked for reform are the Independent Television Network, State Mortgage and Investment Bank, National Paper Corporation, National Salt Corporation, State Trading (General) Corporation, a film studio and a textile import and trading corporation. *Reuter, Colombo*

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FINANCIAL TIMES
COMPANIES & MARKETS
Thursday April 4 1996

IN BRIEF

Mediaset rises strongly to L455bn

Mediaset, the Italian television and media group controlled by Mr Silvio Berlusconi (left), the former premier, announced a strong improvement in 1995 results, ahead of its promised stock market flotation. The group, which owns Italy's three largest private television channels, increased net consolidated profit in 1995 to L455bn ($290m), against L56bn in the previous year. Page 16

BHF-Bank head airs worries over slowdown
BHF-Bank lifted trading profits by 7 per cent in the first quarter of this year but was concerned about the possible impact of the economic slowdown on its performance, said Mr Wolfgang Strutz, chairman of the German bank. Page 16

Bank creditors agree Sidek restructuring
Sidek, the troubled Mexican steel and tourism conglomerate, has won the backing of its principal bank creditors for a restructuring plan that includes the sale of $1bn-worth of assets. Page 17

Leading Czech bank reports 6% advance
Komerční Banka, the Czech Republic's dominant and most restructured commercial bank, reported a 6 per cent increase in net profits to Kc 5.11bn ($188m) for 1995, helped by tighter risk management and a levelling of bad debt provisions. Page 18

NZ authorities stall Ansett stake sale
Participants in the proposed A$425m (US$333m) sale of a half share in Ansett Airlines of Australia to Air New Zealand vowed to complete the deal despite its rejection by the New Zealand Commerce Commission. The plan involves TNT, the Australian transport group, selling its stake. Page 19

Siebe agrees Unitech deal
Siebe, the UK industrial equipment group, claimed to have formed the world's largest electronic controls manufacturer by acquiring Unitech, its smaller UK rival, for £520m ($790m). Page 22

Clinton poised to sign 'freedom to farm' act
President Bill Clinton is expected this week to sign the "freedom-to-farm" act, billed as the most sweeping set of farm reforms since the 1930s. Page 23

Interest rate worries drive Nikkei lower
In Japan, the Nikkei 225 index lost 135.35, or 0.6 per cent, to 21,464.73 after comments by Mr Yasuo Matsushita, governor of the Bank of Japan, were seen as suggesting that a rise in interest rates was imminent. Page 34

Correction
The picture of the model Claudia Schiffer which appeared in yesterday's Financial Times was incorrectly said to show Cindy Crawford.

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Henkel	562	+	8.5
Falls			
Allianz	2754	-	30
Badenwerk	500	-	10
[illegible]	231	-	7
SAP AG	192	-	3.5
Zanders Feinp	130	-	5
NEW YORK ($)			
Rises			
Alaska Air	30¾	+	2¾
Compusa	56¾	+	2⅞
Newmont Mining	58	+	2
Falls			
Cray RSC	25	-	4
[illegible]	36⅞	-	2⅞
Tremont Corp	27½	-	2⅞
LONDON (Pence)			
Rises			
CPL Aromas	500	+	20
[illegible] Group	143	+	19
Unitech	703	+	79
Wetherspoon	929	+	45
Falls			
[illegible]	282	-	11
Siebe	874	-	23
TORONTO (C$)			
Rises			
Crown Life	43	+	2
[illegible]	11½	+	¼
Golden Star	20	+	1¼
Falls			
Can Smith	11	-	½
Crestbrook	13½	-	½
[illegible]	5½	-	½
PARIS (FFr)			
Rises			
Canal Plus	1196	+	44
Chargeurs	1347	+	35
Falls			
Accor	768	-	7
Bongrain	2663	-	67
Legrand	930	-	20
St Gobain	627	-	14
TOKYO (Yen)			
Rises			
Central Glass	500	+	62
Sanden	740	+	30
Falls			
Kikkoman	804	-	36
Mitsui Soko	895	-	28
Nisshin Oil	848	-	33
Toyo Seikan	3600	-	190
HONG KONG (HK$)			
Rises			
Oxford Prop	14.8	+	1.0
SHK [illegible]	6.85	+	0.2
Sinocan Hldg	3.325	+	0.27
Falls			
Grande Hldgs	3.2	-	0.15
MC Packaging	2.85	-	0.12
Swire Pac B	10.65	-	0.3
BANGKOK (Baht)			
Rises			
[illegible] Rubber	137.0	+	12.0
PDM Precast	95.0	+	6.5
Thai Prudent	187.0	+	17.0
Falls			
[illegible]	62.5	-	6.0
New City	23.75	-	2.5
Thai Rubber	25.0	-	2.75

New York and Toronto prices at 11.30am.

Inco poised to win Diamond Fields

By Bernard Simon in Toronto

Inco, the western world's biggest nickel producer, appeared yesterday to have won the battle for control of the large Voisey's Bay nickel, copper and cobalt deposit in eastern Labrador.

Diamond Fields Resources, the small Vancouver-based exploration company that owns 75 per cent of the deposit, said it had accepted a cash and shares offer from Inco valuing Diamond at C$4.3bn (US$3.3bn).

Inco already owns the remaining 25 per cent of Voisey's Bay, as well as a direct 7 per cent stake in Diamond Fields.

Diamond Fields said Inco's offer was superior to a last-minute bid by Toronto-based Falconbridge, Inco's main rival in the nickel market. Falconbridge had proposed selling another 25 per cent of Voisey's Bay to Inco, making the project a 50-50 partnership.

Mr Robert Friedland, Diamond Fields' chairman and biggest shareholder, said he was opposed to a "shotgun marriage" involving Falconbridge and Inco.

However, he said he had no objection to Inco making a "disciplined" sale of a 10-25 per cent stake in Voisey's Bay that would maximise the value of the project. Inco has agreed not to sell any of its stake until the deal is completed.

Falconbridge did not indicate yesterday whether it planned to raise its bid, but analysts considered that unlikely.

Inco has added a number of sweeteners to its initial offer, unveiled last week. A new class of shares, linked directly to the Voisey's Bay project, will pay a minimum dividend for 10 years equal to four-fifths of Inco's common-share dividend.

In addition, holders of these shares will benefit not only from operations at Voisey's Bay, but also from any future discoveries on Diamond Fields' properties elsewhere in Labrador, as well as Greenland and Norway. Diamond Fields' shareholders will appoint two directors to Inco's board.

Voisey's Bay is expected to be one of the world's biggest and lowest-cost nickel mines when it comes into production in 1999 or 2000. According to Inco, annual production will reach 270m lbs, or about 13 per cent of current worldwide nickel consumption.

"We think the orebody [deposit] is getting bigger every day," Mr Edward Mercaldo, Diamond Fields' chief financial officer, said yesterday.

The deposit also contains enough copper and cobalt to cover all operating costs. This means that nickel production costs would be zero at current market prices.

Mr Friedland was confident that "we are nowhere near the peak of the nickel cycle". He said that he and his partner would take only shares in the Inco offer. "Voisey's Bay will be exposed to such a cornucopia of cash that we'd much rather be exposed to the shares than the cash."

KPN seeks purchases as profits rise 11%

By Ronald van de Krol in Amsterdam

Koninklijke PTT Nederland (KPN), the Dutch telecommunications and postal group, said yesterday it was looking at acquisitions as part of its strategy of growing at home and abroad.

The company, which has seen the Dutch government's stake fall from 100 per cent to 45 per cent through two public offerings since 1994, also said it might issue debt if a suitable acquisition arose or as part of a possible refinancing of existing loans.

Mr Wim Dik, executive board chairman, said another prong of KPN's strategy was stringent cost controls. "We will need to be vigilant and pay attention to costs and expenses," he said.

The company refused to be drawn on possible acquisition targets and described speculation about interest in Mercury of the UK as "very premature".

KPN also unveiled a 10.9 per cent rise in 1995 net profits to Fl 2.26bn ($1.37bn), in line with analysts' expectations.

Group turnover was up 6.8 per cent at Fl 19.86bn, due to volume growth especially in mobile telecommunications, domestic telephone calls and domestic postal traffic. A 10 per cent increase in the number of international telephone calls enabled KPN to offset some of the effect of reductions in international calling charges. Overall, turnover from international telephone calls rose 0.3 per cent to Fl 2.47bn.

For 1996, the company predicted a "clear" increase in net profits but it also noted that pressure on prices would increase.

It described technological developments and the gathering trends towards market liberalisation, particularly in telecommunications, as favourable for KPN.

The biggest increase in 1995 turnover came in mobile telecommunications, up 52.6 per cent at Fl 1.38bn.

Domestic telephone turnover rose 5.3 per cent to Fl 6.37bn, reflecting in part the trend for businesses to hire additional telephone connections to accommodate fax and data traffic.

In KPN's highly automated postal operations, operating profits rose 24.7 per cent. This outpaced the 11.1 per cent increase in operating profit in the telecommunications sector, the group's single biggest business.

Lazard Houses agree to share part of profits

By Richard Waters in New York and Nicholas Denton in London

The Lazard Houses, the three loosely allied investment banks based in London, New York and Paris, have agreed to share part of their profits formally among themselves for the first time, continuing recent moves to bring the three banks closer together.

Until now, the 116 partners of the three privately-owned firms have shared their profits locally, though some partners also had stakes in the sister banks abroad.

From the end of this year, one third of the profits of each of the houses will go into a common pool, to be shared out globally.

Mr Michel David-Weill, the French banker whose family has long owned large stakes in all three banks, depicted the changes as part of a move to institutionalise links between the three firms, which at present rely largely on him.

While saying he had "absolutely no plan of retiring", Mr David-Weill, 63, called the profit-sharing plan "an important step on the way to having the communality of feeling persist through the passage of time and . . . generations".

The degree of international sharing will be limited, however, by a formula which links each bank's share to its record over the previous three year.

The New York firm, for example, posted record profits in 1995 and had "a very good year" in 1993, Mr David-Weill said, a track record which seems to assure its 63 partners of a large part of the 1996 profits that the three firms will share.

Paris, by contrast, had a bad year last year, though did better the year before, he added.

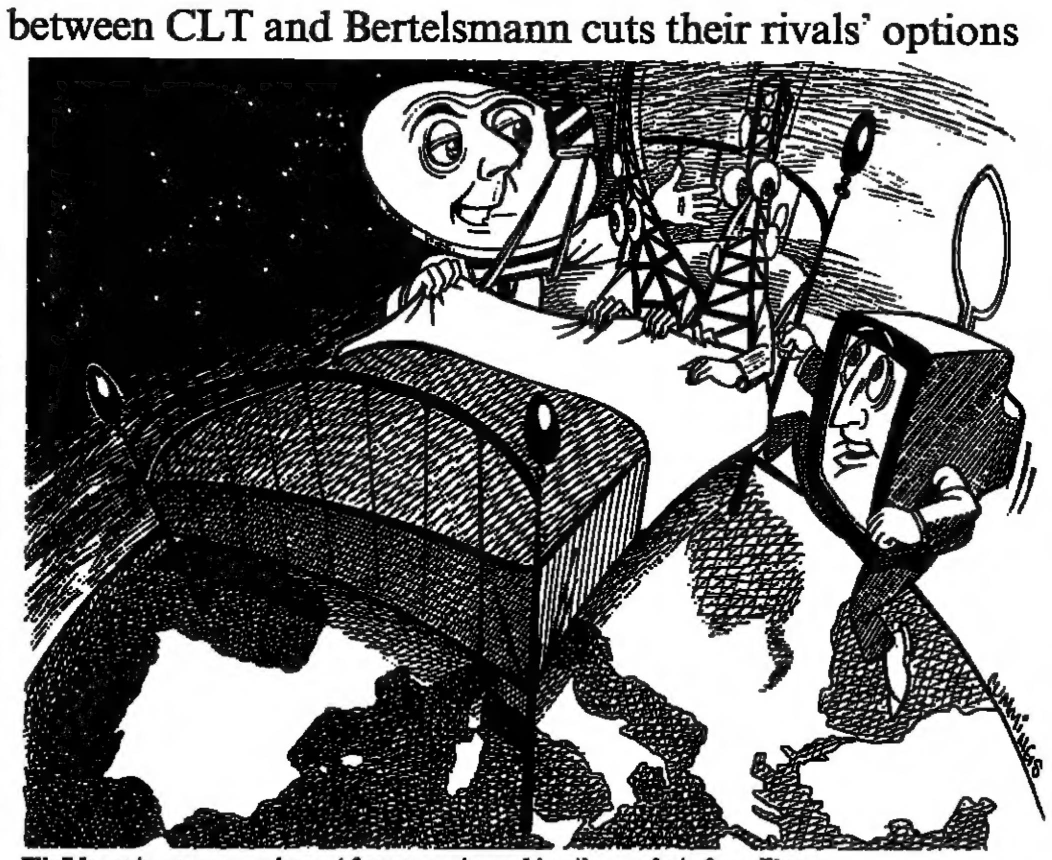
The changes need the approval of shareholders in Pearson, the UK media group which owns the Financial Times. Pearson owns half of Lazard Partners, which in turn owns all of the London bank, as well as stakes of around 11 per cent in each of the New York and Paris partnerships, and so will see changes in the way its share of Lazards' profits are calculated.

Mr David Verey, chairman of Lazard Brothers, said the new system did not interfere with the independent management of the three firms. The performance of the individual houses, apart from short-term subsidies, will remain the ultimate determinant of bonuses.

Mr David-Weill said he could not at this stage envisage an eventual merger of the three banks, but added: "This event is not either the first or last in a series."

The swift alliance between CLT and Bertelsmann cuts their rivals' options

TV groups set seal on a two-day courtship



Eligible partners are running out for companies seeking the comfort of an alliance

The music is getting faster in the great European game of media alliances and partnerships. The decision to merge the television interests of Compagnie Luxembourgeoise de Télédiffusion, the Luxembourg broadcaster, with Ufa, the TV division of Bertelsmann of Germany, was negotiated in only two days. It meant that for those media groups still looking for the comfort and extra firepower that alliances can bring another chair had been taken away.

Through a series of instant friendships and betrayals reminiscent of 19th century diplomats, the media map of Europe – and of digital satellite TV in particular – is being rapidly reshaped.

The origin of the CLT-Ufa deal lies in the grand alliance created last month between Mr Rupert Murdoch's BSkyB, Canal Plus of France and Bertelsmann. The partners aim to launch digital TV services in several European countries, starting with Germany. Mr Murdoch, chairman of News Corporation, had been talking to CLT but ditched the Luxembourg company to embrace new partners; Havas, the French media group which has close links with CLT, also supported the alliance.

Suddenly, CLT had no partners and seemed to have a choice between launching digital TV in Germany alone in competition with the Bertelsmann alliance and the Munich-based Kirch media group, which is also planning a German service, or not doing it at all.

Then on Thursday evening, Mr Michael Delloye, CLT chief executive, met Mr Michael Dornemann, Bertelsmann director responsible for TV, at Frankfurt airport as Mr Dornemann was leaving for Buenos Aires. Mr Delloye put forward the possibility of a merger of their TV interests. Mr Dornemann was positive.

When Mr Albert Freres, chairman of Groupe Bruxelles Lambert, the Belgian group which owns big stakes in Havas and CLT, heard of Mr Dornemann's positive response, he called Brazil and persuaded him to return immediately to open formal talks. These began last Sunday and a deal bringing together businesses with sales of DM5bn ($3.3bn) was done the following day.

"Its a deal of crucial importance for CLT," Mr Ferdinand Kayser, director of CLT Television said yesterday. His "dream deal" always was to have BSkyB as CLT's satellite partner and Bertelsmann as its terrestrial partner. It has happened, but not in the way originally planned.

If the deal receives regulatory approval – which cannot be taken for granted –it offers CLT-Ufa the chance to produce more programmes, but also to purchase collectively for channels ranging from RTL, RTL 2 and Vox in Germany to RTL 4 in the Netherlands and M6 in France.

But the longer-term importance of the deal is that CLT has been brought into the digital TV grand alliance which will have an estimated 25 satellite transponders which could broadcast 250 digital satellite channels.

Members of the Bertelsmann, CLT, Canal Plus and BSkyB alliance believe they will now be able to put greater pressure on the Kirch group, which is launching 15 channels of digital TV in Germany. They hope Kirch, which has extensive rights to Hollywood movies, can be persuaded to join the alliance.

Bertelsmann said yesterday it expected the TV merger to be completed by the end of the year. "It will take some time to clear the various regulatory hurdles, but we expect it to happen in the next nine months."

In Berlin, the Federal Cartel Office said it would be looking closely at the agreement. "But given the size of the deal we assume it will be a decision for Brussels," it said yesterday. In the past, negative recommendations from the cartel office have led to proposed TV ventures being blocked by Brussels but it is far from clear what attitude the office will adopt this time.

The success of the merger also depends on whether the German *Länder*, or regions, agree to revise the country's State Treaty on Broadcasting. This forbids any company from owning more than 49 per cent of a TV network. Under that ruling, the CLT-Ufa merger could not go ahead as the new company would own more than 80 per cent of RTL.

The minister presidents of the *Länder* have agreed to change this stipulation. Companies will be able to own up to 100 per cent of a network, but their total TV activities must not have more than 30 per cent audience share.

With RTL's audience share at 18.5 per cent and the two companies' other German ventures in single digits, CLT-Ufa would satisfy this latter requirement. This change must be approved by the *Länder* parliaments, which are expected to vote on the issue after the summer recess. But Bertelsmann says it does not expect any problems.

The deal means that CLT will also find itself working with its erstwhile rival Kirch through the Premiere pay-TV network in which Bertelsmann also had a 37.5 per cent stake, though this is set to reduced to 25 per cent to allow BSkyB in if the digital alliance venture goes ahead.

The proposed CLT-Ufa merger is consistent with the way Bertelsmann has expanded its media activities. Originally a publisher of bibles and hymn books, Bertelsmann moved into magazine publishing, film production, music and TV through big acquisitions.

Ironically, the CLT-Ufa deal came on the day that Granada of the UK said it was open to European TV partnerships. Like most of the ITV companies, Granada may be starting to play the partnership and alliance game when most of the chairs have gone.

Editorial Comment, Page 19

Raymond Snoddy and Frederick Studemann

Leica zooms in on autumn float

By Wolfgang Münchau in Frankfurt

Leica Camera, the German company that invented 35mm photography, is heading for the stock market in the autumn, 80 years after it was founded.

The company, best known for its high-quality rangefinder and single-lens reflex cameras, is the latest in a series of well-known German companies to go public. The flotation will fall near the time when Deutsche Telekom comes to the market in one of the largest public offerings.

Leica Camera became an independent operation in 1988 when it moved to its offices in Solms, near Frankfurt. About 91 per cent of the stock is held by its parent, Leica, the Swiss industrial group owned by Mr Stephan Schmidheiny. The rest is held by three directors of Leica Camera, including Mr Klaus-Dieter Hofmann, chairman. After the flotation, about 65 per cent of the company will be held by the public, and 20-25 per cent by Leica.

Cameras account for more than 50 per cent of sales, which include its two top product ranges, the R and M series of cameras and lenses. Leica also manufacturers projectors, enlargers, scopes and binoculars.

Leica's camera business is now highly profitable having made losses in the 1970s. Operating profits are around 10 per cent of sales, which in the financial year to March 1995 amounted to DM236m ($159m).

No final figures are available for the last financial year, but company sources estimate turnover to have risen about 6 per cent.

Leica Camera is struggling to meet demand and is one of the few German companies to have increased employment recently. At its main factory in Solms it employs 630 people, 36 per cent more than in 1988, out of a total of 1,600.

Leica said the new shares would be listed on the Frankfurt stock exchange and further flotation details would be made available soon. Union Bank of Switzerland and Westdeutsche Landesbank have been appointed as principal advisers.

The flotation is expected to value Leica Camera at DM300m-DM300m. It intends to use the proceeds to develop new technologies and its existing product range.

Leica dates back to an optical institute founded in 1849. In 1913, Mr Oscar Barnack, head of development, invented a precursor to the original Leica rangefinder camera. It took another 12 years for the camera to be introduced to the wider public at the Leipzig trade fair.

Mediaset registers strong improvement

By Andrew Hill in Milan

Mediaset, the Italian television and media group controlled by Mr Silvio Berlusconi, yesterday presented its new shareholders with a strong improvement in 1995 results, ahead of its promised stock market flotation.

The group, which owns Italy's three largest private television channels, increased net consolidated profit in 1995 to L455bn ($291m) from L56bn in the previous year.

Since last autumn, Fininvest has reduced its stake in Mediaset to 72 per cent, by selling part of its own holding and L1,627bn of new shares in a capital increase.

Turnover rose to L2,925bn, compared with L2,918bn, which included L34bn of sales from cinema activities, since transferred to Fininvest, Mr Berlusconi's private holding company.

Improved cash-flow and the proceeds from the first part of the capital increase helped Mediaset cut its debt from L1,871bn at the end of 1994 to L645bn at the end of last year.

Since January, the proceeds of the rest of the capital increase had "almost completely eliminated group debt", Mediaset said.

Mediaset is still in talks with British Telecommunications about a possible telecoms joint venture. An outline deal could be agreed before the end of this month, according to those close to the negotiations.

Mr Berlusconi, who hopes to regain the Italian premiership in the April 21 elections, has pledged to reduce Fininvest's holding in Mediaset to less than 50 per cent before the summer. The flotation should value Mediaset at about L7,000bn, making it one of the biggest public offers in Italy this year.

Phase one of the capital increase brought in a core group of strategic investors – Kirch, the German media company, with 7.6 per cent, Nethold, controlled by the Rupert family of South Africa with 7.3 per cent, and Prince al-Waleed bin Talal bin Abdul of Saudia Arabia with 2.6 per cent.

The capital increase was concluded at the weekend with the purchase of small stakes by ABN Amro, the Dutch banking group; BZW, the investment banking arm of Barclays of the UK; Morgan Stanley of the US; and the Abu Dhabi Investment Authority. Italian banks have also bought shares in Mediaset direct from Fininvest.

The new investors are understood to have committed themselves to holding the shares well beyond the flotation.

Mediaset's income from television advertising rose 6.3 per cent in 1995, against a general increase in Italian television advertising of 5.5 per cent. Operating profit increased to L732bn, from L431bn in 1994, helped by reduced operating costs and improved efficiency, Mediaset said.

BHF-Bank ahead but cautious on outlook

By Andrew Fisher in Frankfurt

BHF-Bank lifted trading profits 7 per cent in the first quarter of this year, but remained concerned about the possible impact of the economic slowdown on its performance, Mr Wolfgang Strutz, chairman of the German bank, said yesterday.

The bank would therefore remain cautious in its lending policy, while trying to use the increasing opportunities on the fee-earning side resulting from the expansion of its advisory business. The strengthening of its financial trading side should also bring benefits, as long as currency and capital markets remained favourable.

The bank, which has been restructuring to place more emphasis on higher-margin merchant banking, advisory and trading activities, had already announced an 8 per cent rise in operating profits after risk provisions to DM377m ($254m) last year. However, this fell short of Mr Strutz's hope, expressed in November, that growth could exceed 10 per cent.

While interest income was flat, commission income was 16 per cent higher as a result of the first-time consolidation of BHF's holding in Charterhouse, the UK merchant bank. Without this contribution, commission income would have been 3 per cent higher, Mr Strutz said.

Costs rose 20 per cent as a result of the consolidation of the 45 per cent holding in Charterhouse – France's CCF holds an equal share – and that of 47 per cent in Zivnostenska Banka of the Czech Republic, but would otherwise have been only 8 per cent higher. Earnings per share edged up from DM2.16 to DM2.17.

BHF's loan loss provisions dropped sharply – by 44 per cent to DM107m – as a result of lower lending risks. In 1994, it was exposed to the Schneider property collapse and the linked Balsam/Procedo failures in the floor covering and factoring markets. Own-account trading profits in securities, foreign exchange and derivatives recovered sharply from the poor bond trading year of 1994, from DM16m to DM69m.

Mr Strutz said the refocusing of the bank's activities towards merchant banking and trading had proceeded with little internal friction. The main profits thrust was in the advisory and trading sectors. Costs had been kept under control, despite the restructuring efforts.

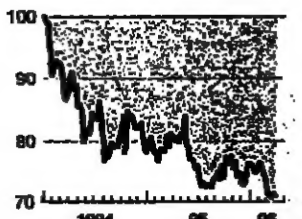
The bank was concentrating its asset management activities into a new subsidiary, BHF Asset Management. Like other German banks, BHF intends to expand in this area. It has already said it wants to sell investment fund products through the Postbank, due to be privatised.

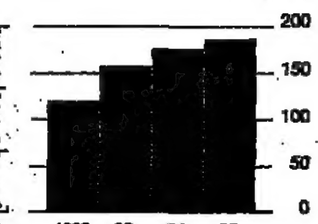
COMPANY PROFILE:

BHF Bank

Market capitalisation	$2.18bn
Main listing	Frankfurt
Historic P/E	22.35
Gross yield	3.61%
Earnings per share	DM 2.05
Current share price	DM 39.6

Wolfgang Strutz
chairman





Source: FT Extel

Eridania Béghin-Say records 26% advance

By David Buchan

Eridania Béghin-Say, the French quoted foodstuffs and sugar subsidiary of Montedison of Italy, increased net profits 26 per cent to FFr1.53bn ($303.6m) last year, from FFr1.2bn the previous year, due mainly to tax changes.

Despite the rise in French corporate tax rates last year, EBS managed a closer integration of its results in the several countries in which it has subsidiaries, including Italy, the US and Hungary, to reduce its overall tax rate from 41 per cent in 1994 to 27 per cent last year.

However, the group warned the tax improvement, arising from its being able to take credits against current and future income for past years' losses, would be "mostly non-recurring".

On its regular industrial operations, EBS raised its pre-tax profit by 2.7 per cent from FFr3.97bn in to FFr4bn last year, on turnover which rose fractionally to FFr50.8bn.

EBS is to raise its dividend 10 per cent to FFr33 a share.

The increase in operating income was largely due to significant improvement in animal feed, crushing and refining, though offset by deteriorating margins in starch products because of delays in passing on raw material price increases. Business was busiest in EBS's US oil seed and soya crushing subsidiaries, but this was largely negated by the dollar's fall last year.

The sugar business produced good operating results, but the financial return was reduced by falls in the Italian lira and Hungarian forint against the franc.

EBS, France's largest sugar producer, has an option to buy the sugar business of Compagnie de Navigation Mixte, which is expected to come on the market following Paribas's full takeover of Navigation Mixte and its desire to raise money through disposals.

EBS is understood to be in talks with Saint-Louis, the French group, and possibly with several agricultural co-operatives, with a view to mounting a joint bid for Compagnie Française de Sucrerie, the Navigation Mixte subsidiary. The Paribas bid values CFS at around FFr3.1bn.

The French government, which awards quotas to its national sugar producers coming under the European sugar regime, is believed to favour a joint bid, on the grounds that this would help rationalise the country's sugar mills.

France has 21 sugar mills, while most experts believe it could manage with half this number. CFS has five mills, and one result of the expected bid for the unit is that one or two of its mills might close, while the bidders might shut down one or two of their mills.

Lagardère ready to bid for Thomson

By David Buchan in Paris

Lagardère, the diversified French electronics and defence group, yesterday reported a slight increase in net profit from FFr615m in 1994 to FFr630m ($125m) last year, and stressed it was ready to mount a bid for Thomson-CSF, the professional electronics group due for privatisation this year.

Following yesterday's board meeting, Mr Jean-Luc Lagardère, group president, said: "The privatisation of Thomson-CSF interests our group to the greatest degree." He claimed the group's Matra defence and space division could, together with Thomson, become a "world force" in defence electronics.

Mr Philippe Camus, finance director, said that with good cash flow and no net debt, "we have the capacity to mount such a operation [a bid for Thomson] within the group's own resources".

But Mr Lagardère, who pointed to his group's consolidation since its problems in the early 1990s in television and since the merger of the Hachette publishing interests with Matra, said the group would wait until the government fixed the conditions of Thomson's sale before making a decision.

In particular, it wanted to know whether the government planned to carry out its proposed sale of Thomson's consumer electronics business along with its defence arm.

Lagardère's overall turnover fell from FFr53bn in 1994 to FFr52.5bn last year, but the group said that at constant exchange rates and an unchanged structure, sales had increased. Operating profit fell from FFr2.58bn in 1994 to FFr2.18bn last year.

Within the group's hi-tech divisions, the space business increased trading profits, while defence profits fell.

The Lagardère board said it was still aiming for FFr1bn net profits this year, helped by increasing orders for the group's defence, space and telecommunications divisions, and a turnround in the car business.

The group is raising its dividend to FFr3 a share from FFr2.80.

NEWS DIGEST

Restructuring costs put Swissair in red

Swissair last year plunged to a net loss of SFr147m ($123m) as a result of extraordinary restructuring provisions of SFr340m. The loss compares with a profit of SFr23m in 1994. Swissair said the provision obscured good results from operations, with operating profits up to SFr237m, against SFr131m in 1994. Group profit after taxation and before extraordinary provisions rose to SFr193m, compared with break-even in 1994. Operating revenues grew from SFr6.5bn to SFr7bn.

Swissair said that Crossair, the regional carrier in which it has a majority stake, also achieved favourable results, although it provided no further details. Analysts said they were surprised at the size of Swissair's provisions, but added they appeared to reflect the determination of Mr Phillipe Bruggisser, the new chief operating officer, to push ahead with reshaping the airline. Swissair's share price has performed well recently, lifted by Mr Bruggisser's announcement that a further 1,200 redundancies were planned.

The airline last year purchased a 49.5 per cent stake in Sabena, the Belgian carrier, which it hopes will give it access to the European Union's air market, due for further liberalisation next year.

Michael Skapinker, Aerospace Correspondent

ABB expands with US buy

ABB, the Swiss-Swedish engineering group, said it had signed an agreement with Michigan-based Newcor to buy its Wilson Automation unit, which supplies products used in the manufacture of auto engine and transmission systems. Financial details were not disclosed. ABB said the unit, which posted 1995 sales of between $200m and $300m, would enable it to become the only engine and transmission assembly supplier to have complete design and build capability in both Europe and North America.

AFX News, Zurich

Valeo sales up in first term

Valeo, the French vehicle parts group, said first quarter sales had risen 13.4 per cent from a year earlier to FFr7.4bn ($1.47bn). Foreign sales represented 66 per cent of total turnover compared with 62 per cent a year earlier, it said.

AFX News, Paris

Turnround seen at Iberia

Mr Javier Alvarez, a director of Iberia, the Spanish airline, said he expected the airline to post pre-tax profits of Pta14bn ($112m) in 1996, the El Pais daily reported. He did not provide a year earlier figure. Last week, Iberia posted 1995 results showing net losses of Pta45bn, up from Pta44bn in 1994. In the first quarter, Mr Alvarez said Iberia recorded a 7.4 per cent rise in gross revenue to Pta72.9bn. The number of available seats would increase 6 per cent in 1996 to 14.46m, Mr Alvarez said.

AFX News, Madrid

Grolsch in share buy-back

Grolsch, the Dutch brewing group, said it had bought back a 5.7 per cent package totalling 949,342 of its own shares from ING, the Dutch financial group. Grolsch said it would use the share package to meet conversion obligations for its 5.25 per cent convertible bond issue, amounting to Fl 100m ($60m). Following the transaction, guaranteed capital would still be more than 45 per cent of the balance sheet total, it said.

AFX News, Enschede, Netherlands

CORRECTION

Solvay

The report of a dividend rise at Solvay, published on April 3, gave pre-tax profits for 1995 as BFr25.84bn. This figure was earnings before interest and taxes.

COMPANIES AND FINANCE: AMERICAS

Bank creditors agree to Sidek iestructure plan

By Leslie Crawford in Mexico City

Sidek, the troubled Mexican stel and tourism conglomerate has won the backing of its pricipal bank creditors for a restructuring plan that incudes the sale of $1bn-worth of assets.

The company, which stopped servicing its $2.1bn debt in February, will present the plan this month to all its creditors, including foreigners who hold abot $700m-worth of Sidek securities.

However, winning over creditors to the rescue plan is expeted to involve long and complex negotiations.

Foreign bondholders are angr at being excluded from the restructuring consultations. They believe the close ties etween Mexican banks and big corporations work to their detriment in times of crisis. For example, Banamex, Mexico's largest bank is a significat shareholder of Sidek as well as its largest creditor. The relationship is reciprocated by Mr Jorge Martinez Guitrn, Sidek's chairman, who is a shareholder in Banamex and a member of the bank's board of directors.

Foreign bondholders believe that Mexican banks, which hold ? per cent of Sidek's debt, will be given preferential treatment in the debt restructuring negotiations. Some are reported to be in favour of pushing the group into liquidation, which would result in one of Latin America's biggest bankruptcy filings.

A group of bondholders last week filed a suit against Sidek in a US district court in New York, alleging Sidek had failed to honour "put agreements" under which it was obliged to buy back about $20m of its own bonds last month.

However, Sidek executives are hoping to persuade creditors they are more likely to be repaid if they agree to the restructuring plan.

Sidek is seeking to reschedule about $500m of fully-secured debt, most of it short-term, with new four- to 10-year securities. Other creditors will have to wait for the auction of $1bn-worth of assets, including hotels and property developments, in a process which is expected to take up to two years.

Sidek's profitable steel and aluminium producer, Simec, will be offered for sale if the liquidation of assets fails to raise the required $1bn by the end of two years.

Holders of unsecured debt will be offered convertible notes that will be forcibly exchanged into Sidek equity after 30 months if the company cannot repay them.

Mr Alejandro de la Garza, Sidek's chief executive officer, believes the restructuring plan could guarantee the group's survival, albeit as a much smaller operation. He said the group was hoping to keep about $700m-worth of viable assets, including some hotels, to provide much-needed cash flow.

The group reported losses of almost $250m in 1995.

Woolworth rejects spin-off proposal

By Richard Tomkins in New York

Woolworth, the troubled US retailer, has set the scene for a proxy fight after turning down a spin-off proposal made by two former associates of Mr Carl Icahn, the US corporate raider.

Greenway Partners, a New York-based investment house set up by Mr Alfred Kingsley and Mr Gary Duberstein, had earlier proposed that Woolworth should spin off its athletic footwear and clothing division, accounting for almost half the total business.

Late on Tuesday Woolworth said its directors would recommend shareholders to vote against the proposal because a spin-off of the athletic business would leave the remaining company without any profits.

Yesterday Mr Kingsley said Greenway Partners would now campaign for shareholder support for the proposal in the run-up to Woolworth's annual meeting in June, when the issue would be put to a vote.

Greenway Partners controls a little more than 6 per cent of Woolworth stock. Mr Kingsley said he believed the athletic division, if spun off, would trade at a higher price than the combined group.

Mr Kingsley said the resolution was only advisory, so shareholders had nothing to lose by supporting it.

"We want the management to get the message that shareholders are not happy with the situation as it exists," he said.

Woolworth has recently been dogged by the poor performance of its general merchandise stores in the US and Germany.

The athletic division made operating profits of $305m last year, but the group as a whole lost $164m after tax because of losses on the remaining operations and an accounting charge.

Last year the board brought in Mr Roger Farah, a top retailer, as chief executive in the hope that he would turn the company around. The proposal from Greenway Partners underlines shareholder impatience at the rate of progress.

Woolworth said the Greenway Partners proposal was "impractical" because it involved an unacceptable level of risk. If the profit-making athletic division were spun-off, it said, the loss-making rump would face negative reactions from vendors and lessors, difficulty in meeting its financial needs and diminished access to capital markets.

Mr Kingsley, whose Greenway Partners previously pushed US Shoe into a break-up, said: "There are ways of doing this if you want to do it. The answer you always get from management is that it's never the right time."

Eastern Europe the key battleground in cola wars

Pepsi and its arch-rival Coke are fighting for dominance in emerging markets, writes Roderick Oram

"Without marketing... we'd have something quite humdrum," a senior Pepsi-Cola executive admitted a couple of hours before this week's $500m launch of the cola's new blue image.

The admission was all the more surprising because it was about Pepsi Max, lodestar of the company's rejuvenation. The first sugar-free cola with only the merest hint of artificial sweeteners, the drink is the industry's best innovation in recent years and a big hit with cool young dudes.

Taking its cue from the blue can and offbeat image of Pepsi Max, Pepsi hopes to infuse its whole enterprise with a similarly irreverent enthusiasm.

It needs all the help it can get in its escalating war with Coca-Cola, its far richer rival whose soft drink revenues outside the US are 16 times Pepsi's. The war is getting particularly bloody in emerging markets.

"Emerging markets will decide the future of this business," said Mr Néstor Carbonell, head of public affairs for the international drink and food arm of PepsiCo, the parent company.

Significantly, Project Blue is targeted at almost as many emerging markets as mature in its first year. The key battleground is eastern Europe, where Coca-Cola has come strongly from behind in the past few years.

Through the final 35 years of communism, Pepsi nurtured its relationships with Soviet bloc governments. Only when the Berlin Wall fell could Coke move in. Between 1990 and 1995, Coke spent $1.5bn investing in 20 plants in eastern Europe. From ground-breaking to completion, the plants took an average 7.6 months to build.

Pepsi, hobbled by its existing relationships with government bottlers, rapidly lost market share. To recover, it invested $350m and deployed product innovations such as two-litre plastic returnable bottles and marketing campaigns such as Numeromania, a numbers game.

Now both cola companies claim to lead in eastern Europe and can furnish statistics to prove it. Coke says it had virtually no sales in eastern Europe in 1990 but now outsells Pepsi two-to-one. In Russia alone, it says Pepsi outsold it four-to-one in 1990 but now they are neck and neck.

For Pepsi, Mr Carbonell says: "We have regained cola leadership throughout the region."

Financial figures – less fluid than market data – are a more reliable guide to the competitive position between the two companies. Coke's scale of investment speaks eloquently of its power. It spent $1.5bn in eastern Europe in five years while Pepsi spent $8bn worldwide in three years.

Some may mistake Coke as the bigger company. But its 1995 sales were $18bn against PepsiCo's $30bn. The key difference lies in strategy: for Coke, soft drinks are its laser-sharp focus; for PepsiCo, they share equal billing with snack foods and restaurants.

On annual drink revenues Coke outsells Pepsi $18bn to $10bn, giving Pepsi a disadvantage on scale.

"Pepsi has grown extremely well in the 1990s but Coke has pulled away from them," says Mr Brendan Quinn of Canadean, the international drinks consultants. "This does not reflect badly on Pepsi but well on the efficiency and focus of the Coke system."

Keeping up with Coke costs money but Pepsi-Cola gets all it needs from its parent. "We've asked for and received what we need," says Mr James Lawrence, president Asia, Middle East and Africa of Pepsi-Cola.

Pepsi has also turned to innovative ways of expanding abroad. To crack Africa, for example, it set up last year International Pepsi-Cola Bottler Investments. Managed from Johannesburg by Mr John Hewlett, a former Lonrho main board director, it will invest in bottling plants and partners throughout Africa. From a low base, its goal is to catch up with Coke, which has 77 per cent of the market in northern Africa and 83 per cent in southern.

Mr Lawrence said Pepsi-Cola was drafting in a handful of experienced soft drinks executives to complement Mr Hewlett's knowledge of Africa.

The vehicle is Pepsi's attempt to create an "anchor" bottler for Africa around which to build its business. The technique is borrowed from Coke, although the latter works with a few chosen corporate partners with deep soft drink experience rather than rounding up investors. Coca-Cola Amatil, for example, is its bottler for a large part of eastern Europe. Coke is a minority shareholder in the Australian listed company.

For close followers of the soft drinks industry, Pepsi is beginning to take the right approach. "It needs to copy Coke's commercial strategy while differentiating itself in marketing terms," says one.

Project Blue is the biggest and bravest step in that process. "They needed to separate themselves from red, the colour Coke owns," he added.

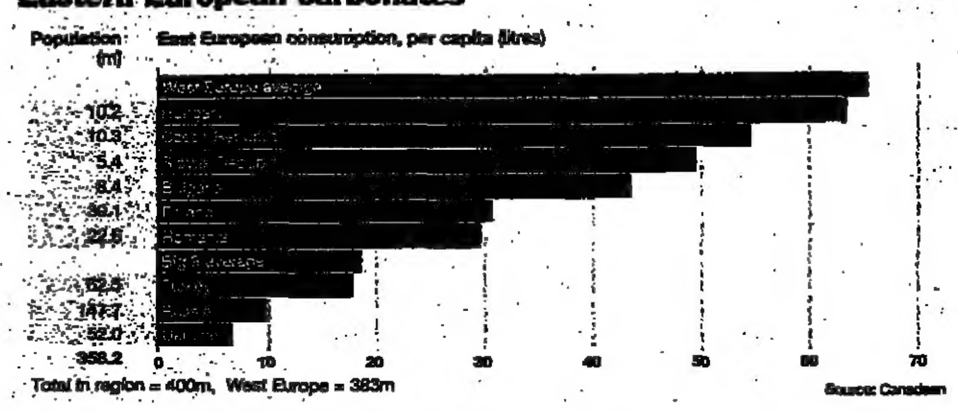
Unsurprisingly, Bahrain was inundated with visitors from Coke's Atlanta headquarters last autumn when Pepsi first trialled Project Blue there. The Bahrainis, dedicated Pepsi drinkers, "associated blue with new – they perceived it as a better product", says a regional Pepsi executive.

But Coke executives must have taken a reassuring message back to Atlanta: six months on, Pepsi's share is up only two percentage points to 72 per cent and Coke's down two to 21.

Hopefully for PepsiCo shareholders, Pepsi has fine tuned its blue notes since.

See also Peter Martin column

Eastern European carbonates



Windmill turnover gains momentum in Danish crusade

A minister's campaign to triple the country's wind-generated power output by 2005 is good news for manufacturers, writes Hilary Barnes

Some parts of Denmark are so studded with windmills that it looks as if the country is preparing for take-off. Wherever you travel in the country, you are rarely out of sight of one or more of the 3,800 windmills – or, to be correct, wind turbines – which have been installed over the past couple of decades.

Windmills are becoming big business, too. Six of the world's top 10 wind turbine producers are Danish. Last autumn Nordtank, one of the largest wind turbine producers, became the world's first stock exchange-listed windmill manufacturer, raising DKr280m ($49.1m) through a share issue in Copenhagen. Most of the issue was sold to Union Bank of Switzerland and was used to reduce debt.

Now, Vestas Wind Systems, owned by Dutch banking group ABN Amro and the world's largest producer of wind turbines with a turnover of about DKr1bn, is also considering a listing.

The 3,800 turbines already installed are just a start. If Mr Svend Auken, the minister for energy, has his way, power produced from windmills will triple between now and 2005.

The minister aims to demonstrate to the world how carbon dioxide emissions, the most lethal of the greenhouse gases, can be reduced by boosting production of energy from sustainable resources.

So far, wind turbines producing a total power rating of 550 megawatts have been installed. By 2005, the aim is that this should rise to 1,500MW. This, says the energy ministry, would mean doubling the rate of installation from about 50MW to 100MW a year.

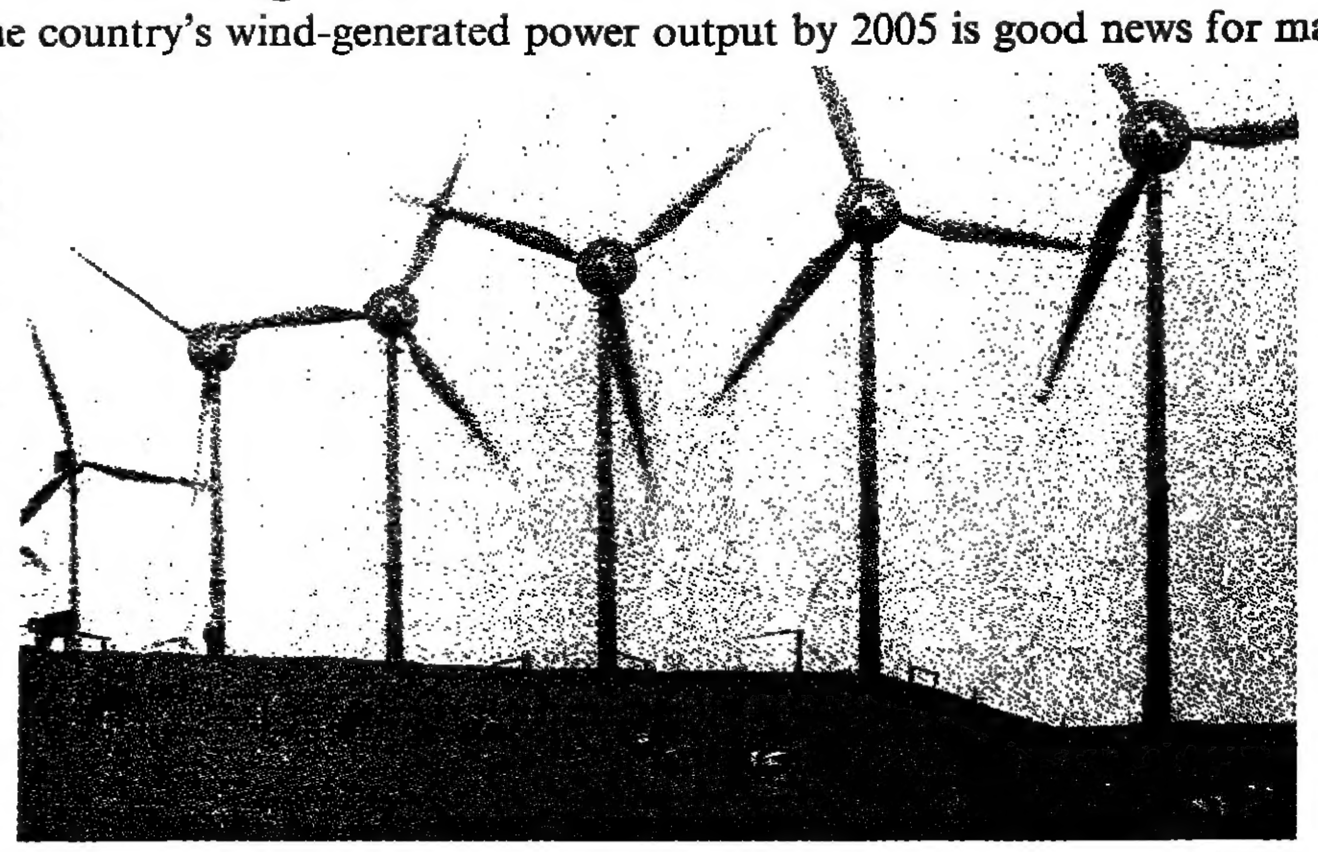
The share of wind energy in Denmark's total energy consumption would rise from 1.2 per cent in 1994 to about 2 per cent in 2005, and its share of electric power consumption from 3.4 per cent to 6–7 per cent.

The wind turbine industry, with a combined turnover of about DKr3bn and about 1,700 employees – some 5,800 when suppliers and sub-contractors are included – can only benefit from the government's energy objectives.

Mr Soren Krohn, director of the Wind Turbine Manufacturers' Association, says about half the world's wind turbines are either supplied directly by Danish companies or manufactured on licence from Danish companies.

About 87 per cent of sales in the first nine months of 1995 were exports. But the success of the industry to date has depended on political support and subsidies.

As the Danes discovered in the 1980s, politicians can prove fickle.



Peter Mueller

A wind turbine farm on the border of Denmark and Germany: six of the world's top 10 turbine producers are Danish

The industry was virtually bankrupted after 1985 when its main export market collapsed because the state of California abolished tax breaks for investment in windmills. The industry has only now fully recovered.

Germany and India were the two biggest export markets last year, with the UK, the Netherlands and Sweden among other important markets.

The Danish manufacturers won their strong international position by concentrating on producing small but efficient turbines when interest in wind energy exploded after the 1970s oil price shocks.

The manufacturers' efforts have been supported by a strong research effort into the aerodynamics of windmills at the National Centre for Scientific Research, Riso, and the Danish Technical University.

They concentrated on smaller turbines, avoiding the mistake made by several other countries which believed the way ahead was through the development of giant windmills. These large programmes have generally proved disappointing.

Nevertheless, the average power rating per installed turbine in Denmark has grown steadily from 31 kilowatts in 1983 to 352kW in 1995.

Now, several of the big Danish producers, including Vestas and Nordtank, are planning to introduce a new generation of 1.5MW turbines.

If there is one potential hazard for the windmill-makers, it is that the government's enthusiasm for the turbines windmills is not matched by popular feeling. As more and more are installed, complaints have increased that the constructions are unsightly as well as noisy.

All the country's local councils were asked by the government last year to produce local wind energy plans. A third of them have shown what they think of having to find sites for yet more windmills by refusing to comply.

However, Mr Auken, one of the present left-centre coalition government's most dynamic ministers, seems determined to persevere.

He plans to order the big power utilities to set up windmill parks, both on land and off the coast, in order to meet the 2005 target.

Mr Auken also plans to liberalise the terms on which private investors may invest in windmills.

Under present rules, investors must live within the locality supplied with power by the turbine. In future, non-residents will be allowed to invest.

Denmark's smart money set may well jump at the opportunity. Returns on investment in windmills can be good, with the newest and most efficient models producing power at increasingly competitive prices against energy generated conventionally by the big utilities.

Private turbine owners also receive a subsidy of 27 ore (DKr0.27) per kilowatt (the commercial price is around DKr0.30–0.35) for all the power they supply to the utilities. The utilities, in turn, are obliged to buy from them at 85 per cent of the regular price.

As long as the windmills subsidy is maintained, and the blades keep turning, investors may be laughing all the way to the bank.

Komerčni Banka earnings rise 6%

By Vincent Boland in Prague

Komerčni Banka, the Czech Republic's dominant and most restructured commercial bank, reported a 6 per cent increase in net profit for 1995. It was helped by tighter risk management and a levelling of bad debt provisions, which bit deeply into profits at most Czech banks the previous year.

Komerčni said yesterday it earned Kc5.11bn ($186m) after tax last year, compared with Kc4.83bn in 1994, despite a fall in net interest income and a sharp rise in expenses. Pre-tax profit was Kc5.73bn, but the bank's taxation charge was lower because of the changing structure of its income.

The bank's share price rose more than 2 per cent in trading on the Prague stock exchange, jumping Kc60 to Kc2,150 in official trading, after Komerčni's finance director, Mr Kamil Ziegler, said the bank had room to pay a dividend of between 18 per cent and 20 per cent of the nominal value of its shares, based on 1995 results. The shares have a nominal value of Kc500 each.

Last year the bank was forced to reduce its dividend payment from 14 per cent to 12 per cent of nominal value under pressure from the Czech National Property Fund, the state holding company that owns 48 per cent of Komerčni.

Komerčni's interest rate margin fell from 5.63 per cent to 4.37 per cent after a general decline in Czech interest rates in 1995, especially in lending to large borrowers. Non-interest income, however, rose strongly, with income from fees and commissions up more than 20 per cent to Kc3.77bn.

Reserves for bad debts reached Kc28.5bn, compared with Kc28.4bn in 1994. The bank said total classified loans stood at Kc103bn at the end of 1995 out of a total loan portfolio of more than Kc253bn.

Total assets rose to Kc387.9bn from Kc313.5bn, representing a nominal rise of 23 per cent, or 14 per cent accounting for inflation.

Mr Ziegler said assets were boosted by higher foreign currency lending and purchases of securities which were the results of measures to "diversify assets and reduce loans as a percentage" of total assets.

He added that the bank would start a roadshow on April 22 to attract investors to a eurobond issue of between $150m-$300m, lead-managed by CS First Boston. It is also planning to issue a second tranche of Global Depositary Receipts of up to 5 per cent of issued share capital, which would bring its GDR programme to 10 per cent of its equity.

Deutsche Telekom expands in Russia

By Michael Lindemann in Bonn

Deutsche Telekom yesterday bought a 49 per cent stake in Russkaya Telefonnaya Kompaniya, a Russian GSM mobile phone operator which holds licences centred on six large towns in western Russia.

Deutsche Telekom declined to say how much it paid for the stake, but the deal marks a further step in an ambitious expansion programme by DeTeMobil, the group's mobile phone subsidiary.

DeTeMobil recently won national GSM licences in the Czech Republic, Poland and Austria, making it one of the largest mobile phone operators in eastern and central Europe.

DeTeMobil said that by 2000 it expected at least 250,000 clients in the Russian regions, taking in the towns of Kaluga, Pskov, Ryazan, Smolensk, Tula and Vladimir.

"With this success we have completed a further big step towards the goal of strengthening our presence in eastern Europe," said Mr Lothar Hunsel, DeTeMobil's chief executive.

The group has a 39 per cent stake in Mobile Telesystems, a mobile phone operator in Moscow, and a 16.3 per cent stake in Ukrainian Mobile Communication, where it leads an international consortium developing mobile phone services.

DeTeMobil said it would spend DM100m to link the Moscow network with the six new networks, to cover an area of 30m inhabitants.

● The European Commission is seeking comments on an amended notification of the entry of Telefónica de España into the Unisource telecom joint venture as a fourth equal shareholder, AFX News reports from Brussels.

Unisource's other shareholders are Telia of Sweden, PTT Telecom of the Netherlands and Swiss Telecom.

Continued negotiations between Unisource and the Spanish group led to Telefónica transferring its existing data transmission and satellite communications business units to Unisource, the commission said.

"Unisource will be a pan-European telecommunications network operator and services provider. It will also be a local operator-distributor as a complement to its parents' activities in their home countries and in designated third countries," it added.

Third parties have 10 days in which to file comments under EU competition rules covering joint ventures, the commission said.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Prices for Trading on 04.04.96: Pool purchase price £/MWh	Final Prices for Trading on 07.03.96: Pool purchase price £/MWh	Pool selling price £/MWh
0030	9.34	12.71	12.71
0100	9.32	12.88	12.80
0130	9.36	12.95	14.31
0200	22.00	12.95	14.31
0230	25.00	12.95	14.31
0300	29.06	12.95	14.31
0330	25.00	12.95	14.31
0400	23.25	12.96	14.31
0430	23.25	12.95	14.31
0500	23.25	12.66	12.66
0530	23.75	9.70	9.70
0600	9.38	9.70	9.70
0630	9.44	9.72	9.72
0700	25.67	12.48	12.48
0730	29.23	13.88	15.24
0800	38.41	13.90	15.27
0830	45.47	13.97	15.36
0900	45.70	14.25	15.71
0930	45.33	15.19	16.73
1000	38.45	15.68	17.27
1030	36.21	15.80	17.42
1100	33.57	15.98	17.64
1130	33.52	19.32	21.00
1200	33.49	19.36	21.04
1230	30.00	19.01	20.62
1300	28.21	15.47	17.00
1330	28.93	14.88	16.32
1400	28.90	14.18	15.61
1430	28.89	14.12	15.53
1500	27.88	14.09	15.50
1530	27.88	14.10	15.51
1600	27.88	14.31	15.76
1630	27.88	18.05	18.69
1700	27.88	17.05	18.86
1730	27.88	26.77	28.94
1800	27.88	38.38	41.84
1830	27.88	46.70	51.50
1900	9.44	58.29	63.02
1930	9.38	52.38	56.30
2000	9.32	27.83	30.00
2030	45.35	18.43	20.13
2100	47.32	14.81	16.26
2130	47.32	13.97	15.35
2200	45.35	13.71	15.07
2230	25.88	13.27	14.82
2300	25.86	10.34	10.34
2330	9.38	9.78	9.78
2400	9.32	9.72	9.72

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.88/MWh becomes 1.888p/kWh. Provision for the determination of pool prices is made in the Pooling And Settlement Agreement which governs the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0115 945 6760 between 8.30am and 5.15pm Monday to Friday.
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COMPANIES AND FINANCE: ASIA PACIFIC/INTERNATIONAL

Air NZ vows to pursue Ansett deal

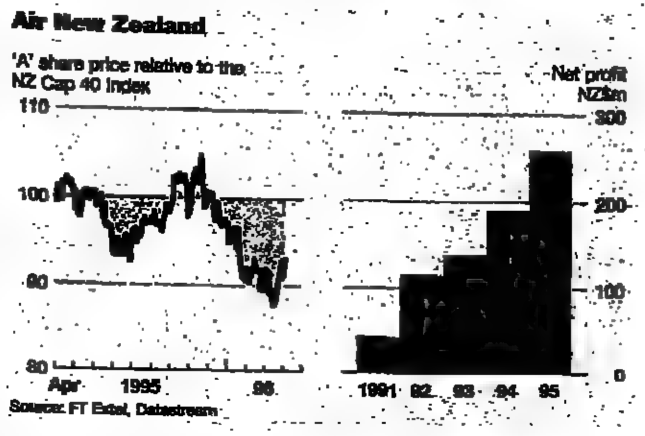
By Bruce Jacques in Sydney and Terry Hall in Wellington

Participants in the proposed A$425m (US$333m) sale of a half share in Ansett Airlines, the Australian carrier, yesterday vowed to complete the deal despite its rejection by the New Zealand Commerce Commission.

The commission earlier refused to sanction the plan which involves TNT, the Australian transport group, selling its 50 per cent Ansett stake to Air New Zealand in two tranches. Mr Ruper Murdoch's News Corporation owns the other 50 per cent.

In a majority decision made on the casting vote of its chairman, Mr Alan Bollard, the commission said it was not satisfied that the Air New Zealand-Ansett axis, which would result from the deal, would *not* acquire a dominant position in the country's aviation industry.

It noted that Air New Zealand and Ansett New Zealand, the Australian airline's New Zealand unit, together controlled almost 100 per cent of the country's air services.



Source: FT Extel, Datastream

"The commission would require public benefits to outweigh the detriment likely to arise from the acquisition, and in this instance, it is not satisfied that the benefits likely to accrue are such that it should be permitted," the determination said.

But last night, Ansett's executive chairman, Mr Ken Cowley, said the commission's decision would not prevent execution of the deal, which has been stalled by regulatory procedures since late last year.

Mr Cowley, who is also in charge of News Corp's Australian operations, said the commission's decision was "disappointing, but not disastrous".

"We are determined that finalisation of the new arrangements should not be allowed to drag on, causing uncertainty and instability, particularly among staff," Mr Cowley said.

"Therefore News ... will be pursuing further options in the next few days to take this matter to an early resolution."

Mr Cowley's statement received backing from Air New Zealand's managing director, Mr Jim McCrea, who said that his company remained "very *much committed*" *to securing* an influential stake in Ansett.

However, TNT executives would only say last night that the company was "reviewing its position".

Mr Cowley said that the News group would work with Air New Zealand towards a three-point structure, involving acquisition by Air New Zealand of a half share in Ansett, retention of Ansett New Zealand and continued competition in New Zealand aviation.

This statement appears to rule out a popular market belief that Mr Cowley, who is due to visit New Zealand next week, may opt for the News group to buy TNT's stake in Ansett.

Mr Cowley's mention of a "early resolution" also appears to make it less likely the parties will challenge the commission ruling in the courts, even though the commissioners were deadlocked on the matter before the matter was decided by the chairman's casting vote.

Time right for Japan to cut its losses

Toyota chief urges government to help consolidate recovery

Japan's recovery from recession could be short-lived unless the country tackles the mountain of bad loans overhanging Tokyo's financial markets, according to Mr Shoichiro Toyoda, chairman of Toyota Motor and of the Keidanren, the Japanese employers' federation.

"The most important problem is that of the housing loan companies. When we have done that, things will finally improve," Mr Toyoda said in an interview.

The Toyota chief urged the government to do more to persuade taxpayers to support proposals to use Y685bn ($6.4bn) in public money to rescue the housing loan companies, which have been driven to the brink of bankruptcy.

He called for a debate on the subject in the Diet (parliament). Mr Toyoda said: "There's a *superficial* gut reaction in Japan that money should not be used to bail out useless institutions."

However, he said it should be stressed that "you are not just bailing out institutions but helping depositors, the ordinary people who are losing out as a result of what happened".

Mr Toyoda believes the signs of economic recovery are increasing. This week, the Nikkei index opened the new financial year on a four-year *high*, while Toyota cheered shareholders with plans for a Y100bn share buy-back.

Industry has also gained from the decline in the yen, from a record high of Y80.633 against the US dollar in April last year to a recent average of Y106. Mr Toyoda says that although sections of industry complain that the current level is still too high, most Japanese companies say it is "appropriate". "I personally think the current level reflects the economic fundamentals."


Shoichiro Toyoda: housing loan groups 'most important problem'

Mr Toyoda is concerned about the continuing frictions with the US and Europe on the trade front, adding that Japan's markets need to be opened further to imports. Many regulations have been relaxed but Japan still has "some way to go" before it is as open as the world's more liberalised economies, including the US, the UK and New Zealand, he says.

Mr Toyoda points to the efforts of Toyota, Nissan Motor and other car companies to reduce Japan's surpluses with *the US* and other countries by promoting imports. An example is Toyota's marketing of vehicles from General Motors of the US through its Japanese showrooms. He added that the car industry in the rest of the world considered "things are now moving quite well" in Japan.

Like other carmakers, Toyota is reducing exports from Japan by expanding production overseas. In the UK, for example, capacity is due to double to 200.000 cars by 1998.

Overall, Toyota is planning to raise the percentage of non-Japanese sales accounted for by local production, from 48 per cent in 1994 to 60 per cent this year and 65 per cent in 1998.

Aside from the UK and the US, where Toyota has extensive investments, Mr Toyoda singles out Portugal and Turkey as countries where Toyota's output will expand.

He also sees potential in India and China. Toyota has no specific plans to invest in India at present, but he agrees Japanese companies are showing a general surge of interest in the country. In China, he believes the authorities want to encourage foreign participation in the components industry, rather than in new car assembly plants.

He denies Japanese companies have found investment in China particularly difficult because of sometimes tense political relations between Beijing and Tokyo, and attributes the success of other carmakers – notably from Europe – to their "more positive attitude" to China at an early stage.

Mr Toyoda says that until recently Japan's strategy was to export finished cars, but there has been a significant shift towards local production. "We want to achieve the position where we, too, are local manufacturers and good corporate citizens."

Mr Toyoda denies he is worried about the breakneck international expansion of South Korean carmakers, and smiles at the suggestion that increased competition might force Japan to rationalise its car industry, with 11 separate vehicle makers. He believes there is little scope for such rationalisation at present.

Stefan Wagstyl and Haig Simonian

NEWS DIGEST

Jardine arm buys 20% of Tata unit

Jardine Strategic Holdings, the company through which Hong Kong-based Jardine Matheson controls its corporate empire, yesterday announced plans to acquire a 20 per cent stake in Tata Industries, the investment arm of India's Tata group. The deal, valued at about US$35m, brings together two of Asia's largest business groups. It reflects Jardine's strategy of focusing on expansion in Asia.

Tata Industries is the principal investment vehicle of the Tata group for new ventures. It has interests in telecommunications, financial services, car components and airport development. In addition to the investment plans announced yesterday, which are subject to approval by the Indian government, Jardine said it planned to co-operate with Tata in other ventures in India.

Mr Ratan Tata, chairman of Tata Industries, said the alliance with the Jardine Matheson group would bring management skills and experience to areas in which Tata Industries is involved. Mr Alasdair Morrison, managing director of Jardine Strategic, said the association would make a positive contribution to India's economic development.

John Ridding, Hong Kong

APN in New Zealand venture

Australian Provincial Newspapers, the offshoot of Irish publishing group Independent Newspapers, has extended its reach into New Zealand media by leading the acquisition of a dominant radio network in the country.

APN said yesterday it was part of a consortium which had purchased Radio New Zealand Commercial (RNZ), the New Zealand government's commercial radio arm, for NZ$89m (US$60.9m). Other members of the consortium are Wilson and Horton, the New Zealand publisher which is 45 per cent-controlled by Independent Newspapers, and Clear Channel Communications, the US radio and television group.

RNZ has 41 stations and commands a 47 per cent share of total New Zealand radio advertising. Annual revenues are about NZ$75m. APN is already in a partnership with Clear Channel in Australia, where the two companies jointly own one of the country's biggest radio operators, Australian Radio Network, with annual revenue claimed to exceed A$90m.

Bruce Jacques, Sydney

Bangkok Bank rejects offer

Bangkok Bank, Thailand's largest commercial bank, said it had rejected an offer from Mr Gordon Wu, chairman of Hopewell Holdings of Hong Kong, to buy 10 per cent of Hopewell's newly created Consolidated Real Estate and Transport Asia (Creata) unit.

Creata groups several of Hopewell's Asian infrastructure, transport and real estate projects, including a $3.2bn rail and road development in Bangkok, which have been beset by delays. Hopewell would like to bring in minority shareholders to raise cash. However, Mr Chartri Sophonpanich, Bangkok Bank's executive chairman, said he would only be interested if he could acquire a controlling interest in either Creata or the Bangkok project portion of the company. "If we are offered just 10 per cent, then forget it," he said.

Ted Bardacke, Bangkok

Engen climbs 57% at midway

Engen, the biggest of South Africa's oil-importing fuel refiners, posted a 57 per cent rise in pre-tax profit to R170m ($42.4m) for the six months to end-February, compared with R108m a year earlier. Higher international refinery margins and improved throughput at its Durban plant lifted turnover by 7.4 per cent from R4.3bn to R4.6bn, 3bn), while a bigger production surplus fueled a 40 per cent rise in exports.

The company said deregulation of the crude oil import market, which was controlled by the state-owned Central Energy Fund during the sanctions era, had intensified competition in the domestic market.

"The return on assets and development of added-value products has to replace market share as the measure of our performance. The market is overtraded," said Mr Rob Angel, chief executive. The fund still sets wholesale margins for the industry, which Mr Angel forecast could fall below the minimum level of a 10 per cent return on assets required to trigger a rise in the petrol price.

The Engen refinery had also been hit by more than 20 interruptions to its power supply, more than double the number experienced in fiscal 1995. A R47m wax blend plant at the Durban refinery was commissioned in November, and the company was developing a wider range of wax products for distribution this year.

Mark Ashurst, Johannesburg

Finance One securities affiliates to merge in $230m deal

By Ted Bardacke in Bangkok

Securities One and First Asia Securities, both affiliates of Finance One, Thailand's largest finance company, announced yesterday they would merge in a deal worth more than $230m. Analysts said the deal would create the largest securities company based in south-east Asia.

The two companies will merge via a share swap. Securities One will acquire all 50m shares plus 10m outstanding warrants of First Asia Securities by issuing 27m new shares valued at Bt220 apiece to First Asia shareholders. The combined equity of the two companies will be $336m.

The Bt110 value placed on First Asia shares is a significant premium to the Bt92.50 closing price on Tuesday.

Although both companies are engaged in similar business – securities trading and underwriting – Securities One focuses on the domestic market, while First Asia, via its large stake in Asia Equity, is stronger regionally. Asia Equity has offices in Hong Kong, London, New York, *Manila, Kuala Lumpur and Jakarta.*

With the increasing internationalisation of the investor base on the Thai stock market, Thai securities companies like Securities One have come under pressure from local brokers which have secured marketing and research agreements with international brokerage houses.

"The merger will integrate both firms' human resources and networks to enhance our strength in order to compete with other major foreign *houses," said Mr Pakhawat Kovithva*thanaphong, president of Securities One.

Profits at Securities One in 1995 fell 17 per cent to Bt843m ($33.4m) while First Asia's 1995 profit dropped 80 per cent to Bt100m, partly due to sharply reduced domestic revenue.

Although *this is the first merger* between two Thai securities companies since an industry shake-out in the mid-1980s, analysts said it could herald the beginning a of merger *flurry in the industry, which now* has 50 domestic brokers, nearly all of whom saw profits fall in 1995.

Finance One, controlled by Mr Pin Chakkaphak, also recently opened what is expected to become a round of consolidation in the Thai banking industry, by acquiring control of Thai Danu, a *small family-owned* bank.

COMPANIES AND FINANCE: THE AMERICAS

Strong interest in Lucent IPO

By Richard Waters in New York

A surge of interest from investors around the world seems likely to assure a strong launch on the stock market today for Lucent Technologies, the telephone equipment maker which is being floated by its parent, AT&T.

According to one source close to the initial public offering, demand for shares on the eve of the launch exceeded the stock being sold by a factor of four or five times.

The interest from investors has already led the lead underwriters, Morgan Stanley and Goldman Sachs, to raise the indicated price at which they expect the shares to be sold, and looks set to provide a firm base for the newly-traded company from today. The final price was due to be determined late yesterday.

Earlier this week, the indicated price range for the shares was raised from $22-$25 to $25-$27, though some IPO analysts suggested it might be set even higher. If priced at the top of the indicated range, the sale of 111m shares would bring in $3bn, and value the entire company at more than $17bn.

The strong demand has already encouraged Lucent's underwriters to bring forward the date for the beginning of trading in the company's shares, reducing the risk that a fall in the stock market would hamper the issue.

Some 14m of the shares being sold have been offered outside the US.

The IPO of Lucent is the second giant corporate spin-off of the week. Ironically, it also comes amid a fresh wave of multi-billion dollar acquisitions in the US.

On Monday, General Motors agreed terms for splitting off EDS, its computer consulting arm, into a company currently valued at more than $25bn. It is already possible to invest in EDS through GM's class E stock, which is tied to EDS's profits.

The EDS spin-off is expected to be completed before the middle of the year, as is Ford Motor's plan for an IPO for part of its financial services arm, The Associates.

Mr David Menlow, president of IPO Financial Network, which tracks the fate of public offerings, predicted that Lucent's shares would open at a premium of $2–$3 over the initial offering price.

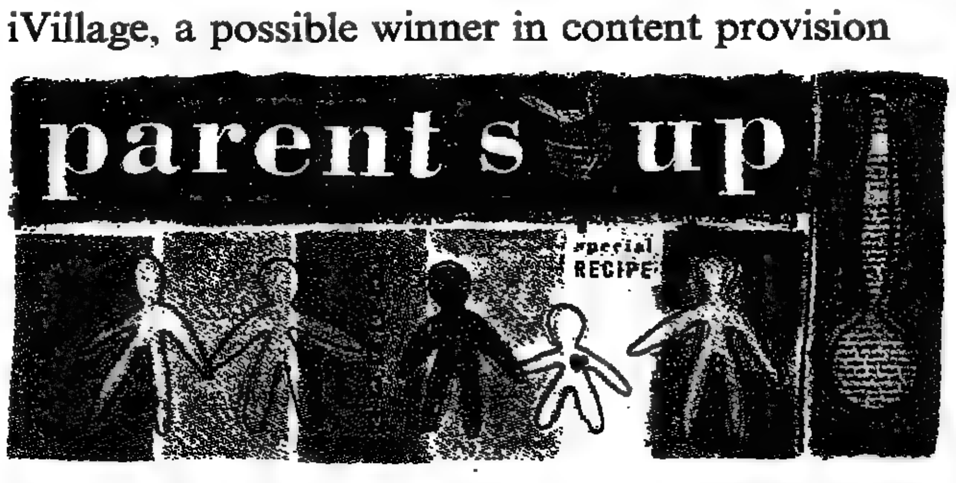
"It is going to be an institutional darling," he said.

"The only question is when people should buy more."

Creative chaos in Internet jungle

Lisa Bransten on iVillage, a possible winner in content provision

Even on a relatively calm day, the atmosphere at iVillage is chaotic. Since the Internet content company was founded in September it has grown from four to nearly 50 employees, and most of them are crammed into one small open room at the company's headquarters in lower Manhattan.



The cramped conditions – which should change soon when the company moves into new office space – are the price of being a potential winner among the thousands of firms now developing programming for the untamed world of the Internet.

iVillage's chances of success should increase later this month, when it receives an injection of capital that will make it among the most highly capitalised content companies in the US. Ms Candice Carpenter, the company's founder and chief executive, says that next week a new round of financing will bring in about $11m from a mix of sources including a venture capital group, a traditional media company and a cable network. Also, America Online, the online service provider, put up $2m to help launch the company in exchange for a 20 per cent stake.

The first of five planned channels, Parent Soup, went up on America Online and the World Wide Web in January. It is a site where users can gather information, listen to experts or just trade notes with other parents (*http://www.parentsoup.com*). A site on work (About Work) and another on health (Vices and Virtues) are planned for this summer, with two more sites due at the beginning of next year.

All of iVillage's channels will run on the Internet and America Online for the first 12 months, under the terms of the joint venture. Then iVillage is free to try to sell them to other online service companies.

What distinguishes iVillage from the thousands of companies creating content for the Internet is its management team, which draws from traditional and interactive media.

Ms Carpenter was president of Q2, a cable retailing channel that was a unit of Mr Barry Diller's QVC. Ms Nancy Evans, iVillage president, was a co-founder of Family Life magazine and is credited with reviving the fortunes of the publisher Doubleday while she was its president. Ms Elaine Rubin, senior vice-president for interactive marketing, has experience with interactive marketing from her time spent building 1-800-Flowers – the fresh flower retailing group – into one of the most successful interactive retailers in the US.

Of the thousands of Internet content companies, iVillage is notable for its professionalism and the quality of its product, says Mr Adam Schoenfeld, a senior analyst at Jupiter Communications, a new-media research and consulting group.

The new investors are betting that these executives will work out how to make money in a world where the business model is uncertain and the public has been resistant to paying for content.

iVillage expects three primary revenue streams: royalties from online service companies such as America Online; fees to advertise on pages within each channel; and retail sales. By 2001, Ms Carpenter expects royalty fees to dwindle to as little as 10 per cent of revenue, with more than 50 per cent from retail sales and the rest from advertising.

In a world where revenue sources are hard to find, iVillage managed to raise about $500,000 by selling channel sponsorships to Starbucks, Nissan, Toyota, MGM and Polaroid before Parent Soup even went up.

Another challenge for iVillage will be competing with traditional media giants such as Disney, Viacom and Time Warner, all of which are building their own sites on the World Wide Web.

These groups have deep pockets, but many think the smaller companies may have a clearer understanding of the medium and be able to react more quickly to changes in the way the Internet is used.

Ms Carpenter acknowledges there is no guarantee iVillage will be a survivor of any shake-out among Internet content companies. "The kind of people who do this stuff don't have very raw nerve endings."

Codelco in exploration pact with AMP

Chile Copper Corp (Codelco), the state-owned mining group, will sign a metals exploration alliance with AMP, the Australian institutional investor, next month, reports Reuter from Santiago.

Mr Ivan Valenzuela, Codelco's vice-president for exploration, said the alliance was to finance mining exploration projects in Chile and elsewhere. It would be split 51 per cent to AMP and 49 per cent to Codelco.

The first projects to be prospected by the association would all be local copper or gold projects, including Maria Delia, Sierra Jardin, Sierra Morena and Exploradora.

Mr Juan Villarzu, Codelco president, said the AMP alliance could point the way for Chile's own institutional investors, including cash-rich pension funds, to fulfil their long-standing wish to invest directly in mining projects with Codelco.

Pension funds have long sought to invest in Chile's mining industry but are stymied by the dearth of copper companies trading on the Santiago stock exchange. State regulations aimed at protecting pensioners' savings limit the funds' scope for investing directly in mining projects.

Mr Villarzu said Codelco was in talks with the Superintendency of Pension Funds, a regulatory body, to see how pension funds might invest with Codelco in a new medium-sized copper project known as San Antonio.

NEWS DIGEST

Televisa may sell PanAmSat stake

Televisa of Mexico, the largest media company in the Spanish-speaking world, is considering selling its 40.5 per cent stake in PanAmSat, the privately-owned global satellite system, for more than $1bn. Televisa paid $200m in 1992 for its stake in PanAmSat, which had a market capitalisation of $3.1bn at the close of trade on Tuesday.

PanAmSat, which operates four satellites covering the Atlantic, Pacific and Indian Ocean regions, already lists 19 per cent of its shares on the US Nasdaq exchange. Earlier this week it filed a registration statement with the Securities and Exchange Commission for an underwritten secondary offering of common stock worth about $350m. NewsCorp-MCI and GM Hughes Communications are both thought to be interested in a possible acquisition.

PanAmSat's change in status follows the death last year of Mr Reynaldo Anselmo, PanAmSat's founder. For its part, Televisa wants to improve liquidity in the middle of a downturn. At the end of 1995, the company had short-term liabilities of $680m.

"As the company's fundamental business has always been programming, the business does not necessarily need to own distribution assets, as long as our programming has access assured to a wide spectrum of distribution media," said Mr Guillermo Cañedo White, Televisa's executive vice-president of finances. He said the company was considering divestiture of other distribution media as well. *Daniel Dombey, Mexico City*

ITT in takeover talks with Bally

ITT, the US hotels and casinos group, is understood to be in talks with Bally Entertainment about a possible takeover of the US gambling company, which has casinos in Las Vegas and Atlantic City. Bally's shares, which rose 20 per cent to $21⅝ on Tuesday on takeover speculation, rose another $¾ in early trading yesterday, valuing the company at about $1.3bn.

It was uncertain whether or not a takeover would be agreed. Mr Arthur Goldberg, Bally's chairman, is known as a tough negotiator who may demand a higher price for his company than ITT is prepared to pay. Earlier negotiations between Bally and Hilton Hotels, which also has extensive gambling interests, are believed to have broken down.

ITT's interest in acquiring Bally appears to be driven by its desire to expand its gambling interests. At the end of 1994 ITT agreed to buy Caesars World, one of the best known names in the gambling industry, for $1.7bn in cash. The group later spun off its industrial and financial operations to concentrate on expansion in the leisure industry.

Richard Tomkins, New York

Repap warns on first quarter

Repap, one of North America's leading timber, pulp and coated paper producers, said inventory reductions by US customers were winding down but it would report first-quarter results "substantially below" forecast levels.

Repap, with annual capacity of 1m tonnes of coated paper and 810,000 tonnes of pulp, has already cut output and more reductions are due in the second quarter. Coated paper and pulp prices have fallen at least 30 per cent in the past six months.

Repap believes the coated paper inventory correction should be over by mid-year and orders may pick up with the US election and the summer Olympics in Atlanta. Repap earned C$140m (US$103m) on revenues of C$2.1bn in 1995.

Robert Gibbens, Montreal

Power Financial makes progress

Power Financial, the financial services group controlled by the Canadian financier, Mr Paul Desmarais, posted fourth-quarter 1995 net profit of C$88.1m (US$65m), or 98 cents a share, up 12 per cent from C$78.4m, or 87 cents, a year earlier. For the full year earnings were C$309.3m, or C$3.41, up 13.3 per cent from C$273.1m, or C$3.01, in 1994. Consolidated revenues were C$6.9bn against C$6.6bn.

The gains came from strong contributions from the life insurance and mutual fund subsidiaries and also from Power's 25 per cent equity interest in Pargesa, the big European industrial and communications holding company. Power Financial shares control of Pargesa with the Frere interests of Belgium. *Robert Gibbens*

Amdahl pays $145m for Trecom

Amdahl, the US mainframe computer company, (AMH) is to acquire Trecom Business Systems, a privately-held provider of information-technology services, for $145m, with about half to be paid now and the other half in the 1997 second quarter. Amdahl said Trecom had 1995 revenues of about $140m.

AP-DJ, Montreal

COMPANIES AND FINANCE: UK

Restructuring costs leave United News lower at £105m

By Christopher Price

Shares in United News & Media rose 21p to 666p yesterday after the publishing and exhibitions group's merger with MAI, the media and financial services company, went unconditional.

The news accompanied United's 1995 results, which showed a 24 per cent fall in pre-tax profits to £104.5m ($159m) after restructuring provisions of £30.7m.

Operating profits edged up 1 per cent to £145.8m. Turnover was also flat at £1.07bn (£1.01bn).

The company blamed the static figures, which were largely in line with forecasts in the merger documents two months ago, on a sharp rise in newsprint costs and disappointing advertising revenues.

The best performance came from the magazines and exhibitions division, where operating profits increased 30 per cent to £49.3m on turnover of £359.8m (£319.1m).

Particularly strong was the US exhibitions business, helped by the acquisition of the Walter Fletcher merchandising business in May.

Operating profits in advertising periodicals slipped to £37.5m (£38.1m) on turnover of £179m (£161.7m). The US was again a strong market, although the improvement was offset by rising newsprint costs. UK revenues were hit by increased raw material costs and the re-launch of Exchange & Mart magazine.

National newspapers, which include the Daily and Sunday Express, were affected by a combination of provisions, falling circulation and disappointing advertising revenues. Operating profits fell 42 per cent to £18m, before the restructuring charge of £10.7m. Turnover fell 4 per cent to £290m.

Mr Charles Stern, finance director, said newsprint costs had begun to level off, but 1995 increases would continue to have an impact in 1996.

Profits from regional newspapers dropped to £8.59m (£30.3m), after a £20m restructuring charge and higher print costs. Turnover rose to £184.4m (£173.1m). Mr Stern said the restructuring measures would produce annual savings of £12m-£15m a year by 1998.

Media services lifted profits 37 per cent to £12.5m on sales of £50.6m (£33.6m).

Mr Stern said the two head offices would be merged from Tuesday, although full benefits from the synergies would not be felt until 1997. He said the company remained committed to both the national and regional newspaper businesses.

Earnings per share amounted to 28p (39.5p).

Sluggish start overseas hits shares in Laird

By Tim Burt

Laird Group, the motor components and building products manufacturer, yesterday reported a 39 per cent increase in full year profits despite difficult trading conditions and sharp raw material price rises.

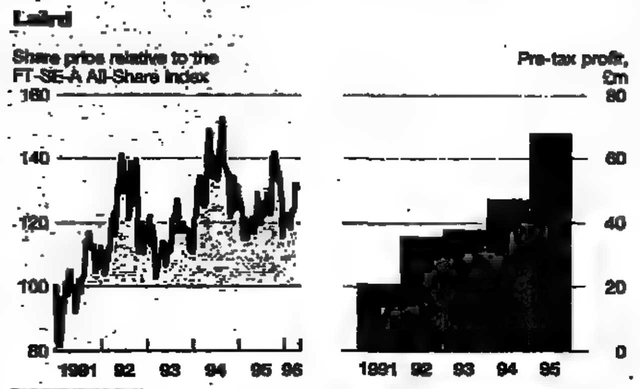
The company, which also distributes cables and plastic mouldings, saw pre-tax profits for 1995 rise from £47.7m to £66.1m ($100m) on increased sales of £887.9m (£733.9m).

The shares, however, fell 6p to 428p after the group admitted that slowing French car production and sluggish building activity in North America and the UK had damped its start to 1996.

Some analysts said pre-tax profits were slightly below expectations, especially given last year's £2m currency gain and reduced interest charges of £4.1m (£6.5m). Nevertheless, profits on continuing operations rose 43 per cent to £68.1m, including £2m from acquisitions. Mr Ian Arnott, chief executive, said the £100m investment and acquisition programme promised to maintain that rate of growth. He also highlighted a significant rise in non-automotive profits, which last year accounted for more than 40 per cent of the total – almost double its contribution in the early 1990s.

Sealings systems saw operating profits rise from £18.5m to £26.1m, while the industrial products arm rose from £23m to £28.5m. Service industries, which distributes semi-finished plastics and mouldings, reported profits of £17.6m (£12.7m) following a full year contribution from its new Fullarton computer plant in the US.

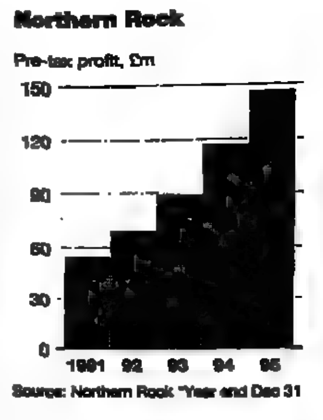
Laird



Source: FT Extel, Datastream

LEX COMMENT

Northern Rock



Source: Northern Rock *Year end Dec 31

Northern Rock's decision to turn itself into a bank is good news for its members – but nothing like as good as it should be. On the contrary, the plan shows just how unaccountable a building society management can be. For a start, the directors say they will recommend only their own scheme to members, however good an offer they might get from outside. No company's board of directors would get away with such a line. And if it comes to the crunch Northern's are unlikely to either. But the real sting in the tail for members lies in Northern's plan for a charitable trust – which looks suspiciously like a poison pill.

There is, perhaps, a case for giving away some of the society's profits to reflect its theoretical obligations to past members. But it is difficult to see how Northern can justify spending 5 per cent of profits in this way – more than 10 times its current charitable giving.

Even worse, in the event of a hostile bid the trust would suddenly be granted 15 per cent of the bank's voting shares, diluting existing shareholders and adding a big chunk to the cost of taking it over. This is clearly against members' interests. At the very least, they should be offered a separate vote on it.

The best hope for members is that an outside bidder will intervene before the conversion is complete and upset the management's carefully-laid plans. This is a strong possibility. Northern's low costs mean it is less vulnerable than it looks. But its strong local franchise and relatively modest size make it a tempting morsel nonetheless.

Bid battle for BET intensifies

The hostile £1.9bn ($3bn) takeover battle between BET and Rentokil intensified yesterday as the two business services groups traded insults over profit forecasts and rival strategies, writes Tim Burt.

BET accused its stalker of mudslinging by querying its profits growth and cash management. Rentokil had earlier claimed that BET was "treating its shareholders like fools" after publishing a revised profits forecast of £146m for the year to March 31, upgrading an earlier estimate of £142m.

"This is a complete farce," said Mr Clive Thompson, Rentokil chief executive. "It undermines the credibility of all their previous statements."

Mr John Clark, chief executive of BET, accused his counterpart of putting up a smokescreen.

"His rhetoric bears no resemblance to reality. He is just throwing mud to hide the lack of strategy behind his bid."

Woolwich chief's expenses a 'question of trust'

By Alison Smith and Clay Harris

Mr Peter Robinson, the ousted group chief executive of Woolwich Building Society, had been allowed to claim expenses without any supporting signature for more than a year.

The society, Britain's third largest, has no plans to change this procedure, which was described yesterday as a "question of trust" by Mr Donald Kirkham, Woolwich's former chief executive who has been brought in as an acting head until a permanent replacement can be found.

Mr Robinson, meanwhile, said he was "totally shocked" by the board's decision to force him to resign over allegations of misusing company facilities for personal reasons.

In a statement issued through his solicitors, D.J. Freeman, Mr Robinson added: "I deny I have in any way misused the society's facilities." He left the society – which he had been set to lead to an expected stock market flotation next year – on Tuesday after directors confronted him with allegations relating to the purchase of a Range Rover and to decorating and gardening work undertaken at his home at Brasted in Kent.

The official line that Mr Robinson had quit of his own accord was dropped yesterday. His solicitors said: "There is no beating about the bush. He was forced to resign."

Mr Kirkham said yesterday: "In financial terms, the issues probably don't amount to a bag of beans. They are significant in terms of their affecting this critical matter of trust." He said controls over the chief executive's expenses would not be tightened. "It's a question of trust. We're talking about personal expenses. The audit procedure would pick up those which are excessive."

Mr Kirkham said expenses procedures had not changed since he retired at the end of 1995. "Nobody signed my forms when I claimed," he said. "Most of our spending is done on company credit cards, so they go to central accounts anyway."

Although directors met to discuss the allegations about Mr Robinson while he was on holiday in Barbados, Mr Kirkham said: "It just came to light as a routine check on one area of service. One example of misuse of services or facilities led to another."

Mr Kirkham 's return as chief executive is likely to last for perhaps six months.

● Northern Rock yesterday brought a new twist to stampede among building societies abandoning mutual status when it said its flotation plans would include a charitable foundation to benefit its home region of north-east England and act as a deterrent to hostile bidders.

Its decision to float, creating a bank worth £1bn and giving borrowers and savers a bonus worth £1,000, surprised competitors which had seen it as likely to seek a buyer.

Omnicom's £45m Aegis sale

Omnicom Group, the US marketing services group, has raised £45.4m from the sale of its stake in Aegis, the UK-quoted media buying company.

Its 75m shares and 50m warrants were place with a range of institutions at 47½p and 19¼p. The offer was oversubscribed. Shares in Aegis rose 2¼p to 50p yesterday.

When the intention to sell was announced last week Omnicom said it was pulling out because opportunities for co-operation had failed to materialise. In 1993 it paid 20p a share for the investment.

Granada makes first Forte sale

By David Blackwell and Raymond Snoddy

Granada, the leisure, television and hotels group, yesterday completed its first disposal since taking over Forte in January with the sale of the White Hart chain to Regal Hotels for £121.7m ($185m).

The acquisition will quadruple the size of Regal, founded in 1993 with three hotels.

Granada is also planning to cut a further 300 jobs from the staff at Forte's head office and central management structure. The cuts would follow the departure of 100 head office staff soon after it won the bitterly contested £3.9bn takeover battle.

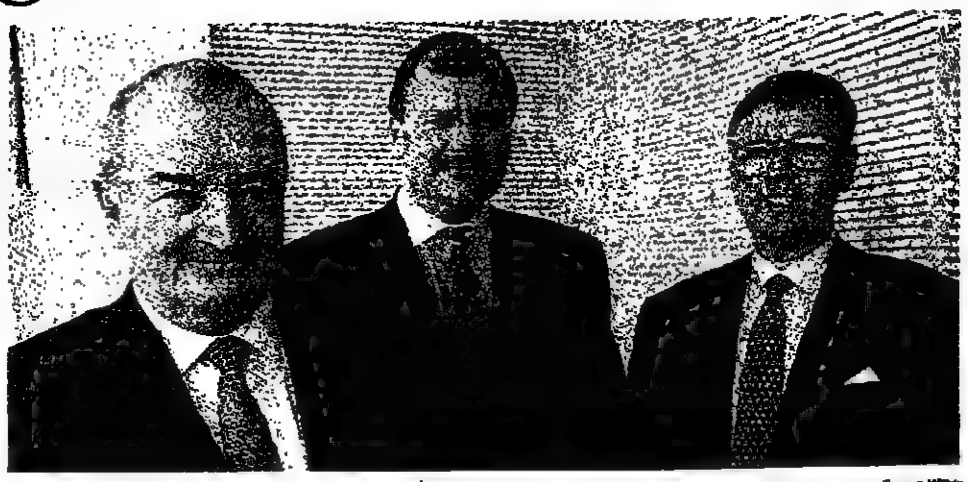
The group is working to a restructuring plan being carried out by Mr Charles Allen, its chief executive. It increasingly believes that it will more than achieve the £100m improvement in Forte profits that it estimated would be possible in its first year of ownership.

COMPANIES AND FINANCE: UK

Purchase will create world's 'largest electronic controls maker'

Siebe agrees Unitech deal

By Tim Burt



Fergus Wilde

L to R: Barrie Stephens and Alan Yurko, chairman and managing director of Siebe and Peter Curry

Siebe, the industrial equipment group, yesterday claimed to have formed the world's largest electronic controls manufacturer by acquiring Unitech, its smaller UK rival, for £520m ($790.40m).

The company, which has been courting Unitech for several weeks, said the deal reflected growing consolidation in the international controls market, with applications including air conditioning and plant automation.

Siebe predicted the acquisition would also enhance its presence in Asia, where Unitech already enjoys a commanding presence through its 50.6 per cent stake in Nemic Lambda, the Japanese controls group.

It should add about £400m to Siebe's turnover, lifting total sales to more than £2.5bn a year. Last year Unitech reported pre-tax profits of £36.4m against Siebe's £275.1m.

Mr Peter Curry, chairman and founder of Unitech, said: "Joining forces with Siebe improves Unitech's ability to consolidate its leading positions in highly fragmented world markets."

He forecast there would be few job losses following the integration of Unitech's 6,500 employees into Siebe's 36,000-strong workforce.

Siebe has offered 0.804 new Siebe shares for each Unitech share, with a cash alternative of 659.29p a share. Siebe's shares closed down 23p at 874p valuing the share offer at 703p. closing price, the offer valued Unitech at 715p a share. Unitech's shares rose 29p to 703p.

Mr Curry's holding is worth £4.45m under the paper offer.

Nevertheless, Siebe's advisers – led by Morgan Stanley – expressed satisfaction at the pricing, particularly given the deal agreed last month with Electrowatt, the Swiss electronics group and Unitech's largest shareholder.

Electrowatt has agreed to sell a 25 per cent stake in Siebe for 590p a share and is expected to sell a further 4.1 per cent at the cash alternative price.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Atlas Converting	Yr to Dec 31	84.4	(43.4)	5.86	(3.74)	37.9	(23.5)	15	[illegible]	15	22	22
Blockleys	Yr to Dec 31	9.73	(10.9)	0.581L	(0.341)	1.74L	(0.91)	nil¥	-	0.4	nil	0.8
British Dredging	Yr to Dec 31	38.8	(38)	1.91♠	(2.1)	6.55	(8.34)	3	May 24	3	5.8	5.6
BWI	6 mths to Jan 31	44.6	(42)	2.44	(2.12)	5.1	(4.4)	3‡	June 3	3‡	-	7.3
Chepstow Racecourse	Yr to Dec 31	1.98	(1.82)	0.284	(0.27)	52.1	(49.1)	6	June 14	5	6	5
China Corners	Yr to Dec 31 ☆	27.5	(17.4)	2.52	(0.128♠)	2.8†	(0.7L)	0.96	June 11	0.8	1.42	0.8
City Centre Rest	Yr to Dec 31	111.4	(103.4)	15.5♠	(14.1)	5.61	(5.01)	1.79	June 3	1.55	2.24	2
Densitron Intl	Yr to Dec 31 ★	34.6	(39.7)	1.03	(1.2)	0.04	(3.9)	1	June 10	1	1.55	1.5
Fitzwilton ♣	Yr to Dec 31	305.1	(282.9)	15	(8.43)	4.26	(2.10)	1.3	Aug 30	1.25	2.35	2.25
Goldsmiths	Yr to Jan 27	62.9	(53.1)	4.46	(3.16)	15.11	(11.03)	3.3	July 1	2.2	4.5	3
Hewden Stuart	Yr to Jan 31	279.2	(260)	36.3	(34.8)	9.04	(8.46)	2.25	July 11	2.083*	3	2.771*
Laird	Yr to Dec 31	887.9	(733.9)	66.1	(47.7)	33	(26.3)	7.3	June 7	6.9	12	11.3
Lloyds Chemists	6 mths to Dec 31	562	(550.3)	25.8	(26.6)	13.93	(14.91)	3.1	June 7	2.9	-	10.2
Lyons Irish ♣	28 weeks to Mar 2	14.9	(14.1)	4.54	(4.74)	[illegible]	(12.84)	7.8	May 31	7.35	-	16♦
McKechnie	6 mths to Jan 31	269.3	(255)	21.6	(20.2)	16.2	(14.7)	6	July 1	5.5	-	16.5
OmniMedia ф	Yr to Dec 31	0.275	(0.125)	1.02L	(0.421L)	6.06L	(3.84L)	-	-	-	-	-
Princedale	Yr to Dec 31	46.2	(42.9)	2.86♥	(3.79♥)	3.3	(6.9)	0.4	May 30	0.3	0.7	0.5
Rugby Estates	Yr to Dec 31	[illegible]	(10.2)	1	(2.4)	4†	(11.4)	1.45	June 6	1.38	2.175	2.07
Scrutons ф	Yr to Dec 31	41.1	(33.8)	1.33	(1.66♥)	18.4	(24)	7	May 29	7	13	13
United Inds	Yr to Dec 31	50.9	(37.7)	3.55	(2.2)	1.36	(1.05)	0.3	July 4	0.22	0.45	0.32
Utd News & Media	Yr to Dec 31	1,071	(1,013)	104.5♠	(138)	28	(39.5)	15.25	Apr 26	15.25	23	23
Vymura	Yr to Dec 31	38.2	(39.4)	2.42	(3.78)	7.1	(10.7)	3.1	June 5	3.1	4.7	5.1

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Old Mutual S Africa	6 mths to Feb 29 #	159.7	(105.6)	0.247	(1.15)	0.47	(2.19)	-	-	-	-	2.84

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ¥Nominal interim of 0.01p declared for payment on July 1 to maintain authorised investment status. ☆Comparatives for nine months. ♣Irish currency. *Equivalent after allowing for scrip issue. фAim stock. #Comparatives for 38 weeks. ‡Foreign income dividend. ♣Irish currency. ★Comparatives restated. ♦For 76 weeks.

McKechnie retains growth strategy

By Richard Wolffe

McKechnie, the plastics and metal components group, yesterday pledged to continue its acquisition strategy which has added three subsidiaries at a cost of more than £63m ($96m) in the last six months.

Mr Michael Ost, chief executive, said the group was expecting growth through additions to its engineered plastics and specialist products divisions. It reported lower margins in plastics and consumer products in the six months to January 31.

First-half pre-tax profits met City expectations with a 7 per cent rise to £21.6m on sales up 6 per cent at £269.3m.

However, on an underlying basis, continuing businesses reported stagnant operating profits of £21.3m on turnover up 4 per cent at £261.9m.

The plastics division suffered as customers in business electronics and telecommunications destocked and cancelled orders, particularly in the US.

However, this was offset by a strong performance in the UK, where the company started to benefit from its £27m contract to produce plastic containers for Tesco.

Profits declined in consumer products as the Australasian housing market took a sharp downturn, and the UK housing market remained flat.

The division, which includes Harrison Drape window furnishings, reported a 5 per cent fall in operating profits to £7.11m, on sales up 6 per cent at £88m.

In specialist products, profits rose 11 per cent as demand improved in aerospace, in spite of destocking elsewhere. Operating profit rose to £9.42m (£8.46m) on sales of £88.3m (£85.6m). The company said it had improved efficiency at Linread, the precision components and fasteners manufacturer acquired in 1994.

LEGAL NOTICES

COMMONWEALTH OF THE BAHAMAS
IN THE SUPREME COURT
Equity Side

BETWEEN

IN THE MATTER OF
MERIDIEN INTERNATIONAL BANK LIMITED
(In Liquidation)

AND

IN THE MATTER OF
THE COMPANIES ACT 1992

NOTICE is hereby given that the Creditors of the above-named Company which is being wound up by the Court are required on or before the 29th June, 1996 to send their names and addresses and the particulars of their debts or claims and the names and addresses of their Attorneys (if any) to Mr. Daivd P. Hamilton and/or Mrs. Alison J. Treco, the Official Liquidators of the said company at P.O. Box N-123, Nassau, Bahamas and if so required by Notice in writing from the said Official Liquidators or by their Attorneys or personally to come in and prove the said debts or claims at such time and place as shall be specified in such Notice or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

Dated: this 26th day of March A.D., 1996.

McKINNEY, BANCROFT & HUGHES
Attorneys for the Official Liquidators
Meridien International Bank Limited
(In Liquidation)

COMMODITIES AND AGRICULTURE

Peruvian copper producer plans 'important' expansion

By Sally Bowen in Lima

Southern Peru, majority-owned by Asarco of the US and producer of more than 60 per cent of all Peru's copper, is evaluating an "important" expansion of its operations at the two mines of Cuajone and Toquepala, according to senior company executives in Lima.

Last year, Southern announced a 69 per cent increase in its proven and probable reserves to a total of 1.3bn tonnes of sulphides and 678m tonnes of leachable reserves. Fresh reserves are conveniently close to existing operations. A new solvent-extraction/electrowinning plant is now in full operation at Toquepala, on schedule to produce 39,000 tonnes of pure copper cathodes a year. This is already equivalent to a 15 per cent increase in Southern's output.

Now, engineering studies are well under way to define how best to develop these new reserves. Mr Guillermo Payet, vice-president for finance, declined to elaborate, but said "during the course of this year, we'll have a clear idea of the investments we'll make".

One virtual certainty seems to be a new smelter at the southern port of Ilo with a capacity for at least 1.2m tonnes. The existing smelter is elderly and remains an environmental liability despite the partial capture acid plant that came on stream last September. Southern has said a new, modern plant will demand investment of around $500m.

Buoyant copper prices and lower costs mean that Southern is making record profits. Last year, net earnings were $217.8m on sales of $928.8m. First quarter 1996 results will be in line with 1995's, according to Mr Payet, making allowances for a lower average copper price (around 115 cents a pound instead of 130 cents) and increased production.

Recently restructured and quoted simultaneously on the New York and Lima stock exchanges, Southern is urging shareholders to reinvest their dividends in the company via the Bank of New York.

In view of its planned production expansion Southern has withdrawn from possible participation in the privatisation of the port of Ilo. "We studied making an offer [for the concession]," said Mr Alan Compagno, vice-president for development, "but we've decided to concentrate on getting deeper into our core business: mining."

Venezuelan aluminium smelter suspends shipments to Japan

By Ray Colitt in Caracas

The Venezuelan aluminum smelter CVG Industria Venezolana de Aluminio (Venalum) has suspended aluminum shipments to Japan as a result of differences in contract negotiations with its Japanese shareholders.

According to Venalum's vice-president of public affairs, Mr Jose Carrera, a commercial contract with a Japanese consortium holding a 20 per cent share in the company had expired. He said the contract had guaranteed the investors a certain percentage of Venalum's annual aluminum production.

The consortium, which is made up of Showa Denko, Kobe Steel, Sumitomo Chemical Company and Mitsubishi Metal Corporation, has held a share in Venalum since its establishment in 1974.

Mr Carrera said that "shipments would resume once a new contract was worked out". He added that Venalum was entirely willing to reach an agreement with the Japanese investors.

Yet according to Mrs Gretty Suarez, co-ordinator with the Fondo de Inversiones de Venezuela (FIV), the government agency charged with privatisation, the 5-year commercial contract being negotiated could not be approved until the investors also agreed to the government's privatisation plan for Venalum, of which the state owns 77.13 per cent.

Mrs Suarez said that the consortium would have to agree to changes in the company's statutes, which presented an obstacle to privatisation. She said the investors currently had the right to veto a capital increase as well the sale of the company itself. "We can't approve a new supply contract if we don't obtain what we need in order to privatise [the company]," said Mrs Suarez.

The privatisation plan called for a merger of Venalum prior to its sale with CVG Bauxilum, a state-owned plant that mines 5.36m tonnes of bauxite (aluminium ore) a year and produces 1.5m tonnes of aluminium, short of its 2m tonne capacity. Venalum's annual output equals 417,544 tonne of refined aluminum.

Though Venalum's shipment of 90,000 tonnes makes up only a small percentage of Japan's total annual imports of 2.4m, traders in Tokyo say that the shipment trouble is gradually supporting import premiums.

Talks between Venalum and the Japanese consortium were cancelled in February, but an imminent shareholders' meeting of Venalum is expected to bring progress.

Funds 'have not boosted metal price volatility'

By Kenneth Gooding, Mining Correspondent

The invasion of base metals markets by speculative investment funds since mid-1993 has not caused any long term increase in price volatility, according to a paper presented to the Minerals Economics and Management Society.

The paper, by Mr Christopher Gilbert, professor of applied econometrics at Queen Mary and Westfield College, University of London, and his student, Mr Celso Brunetti, says that high price volatility is instead associated with periods of supply tightness, most clearly seen in the London Metal Exchange's aluminium and nickel markets in 1973-74 and 1987-90 – before the funds moved in.

Mr Gilbert's team's research into the functioning of commodity futures markets, has led it to conclude that metal price volatility is static. The evidence "implies there has been no change in the mean of the volatility process" over the periods studied.

"It is possible that short term fluctuations in volatility are caused by speculative movements. However, if speculation does have effects on metals volatility, these effects are short-lived," the paper says. Although there was high price volatility at times in 1994-95, metals volatility was in general slightly below the long-term average levels.

"There is therefore no basis for the view that metals volatility is either high or that it is increasing," the paper concludes. "The modest rises in volatility in 1994 and 1995 relative to 1991-93 may largely be explained by stronger demand growth. In general, it appears that the speculative funds have been taking the blame for volatility levels which might reasonably have been expected even in their absence."

'Freedom to farm' to cost US $36bn

Nancy Dunne examines a controversial, election-year policy switch

President Bill Clinton is expected this week to sign the "freedom-to-farm" act, billed by congress as the most sweeping set of farm reforms since the 1930s.

For years Washington has been paying farmers not to farm in order to keep production in line with demand. The "reform" programme will pay farmers over the next seven years whether they farm or not. The payments are to be phased down over seven years and, in theory, out at the end. However, a 1949 farm act, which was left in place, means the US could go back to paying subsidies seven years from now unless congress voted once and for all to end them.

Although farmers will still be paid for putting marginal land in a conservation reserve, large acreage reduction schemes will become things of the past.

Mr Dan Glickman, the US agriculture secretary, agreed to the measure because the old farm programme had expired, and farmers were pressing for action on a new one so they could plan their spring planting. As a sweetener congress agreed to a $300m Fund for Rural America, and strong research and trade provisions.

Mr Clinton said he would sign the bill, but he had reservations. "It provides fixed payments without regard to whether farmers are receiving adequate income from the market," he said, "yet leaves farmers without protection in the event of natural disasters or other circumstances that sharply reduce their income." He said he would work to "improve" the legislation next year.


Bill Clinton: has reservations about the bill

Most of the government largess will go to the largest farmers and grain trading companies. These are not income supports but "transition" payments, based on past payment levels, made on the theory that US producers are so "addicted" to subsidies that they must be eased off their drug of choice.

It will cost the US government $36bn to help the farmers kick their habit, according to the US Department of Agriculture. Continuing the old programme of price supports linked to production would would cost $12bn to $15bn, according to the USDA.

Republicans who pushed for the bill say in the end it will be worthwhile. "The important thing about this bill is the unleashing of American agriculture to make more money," said Senator Richard Lugar, chairman of the Senate agriculture committee.

This should not have been an easy sell to the Republican congress, which has twice shut down the US government to get a balanced budget. But this is an election year – the industrial heartland Midwest is a key battleground for both the presidential race and control of congress – and farmers will be made happy, receiving government payments even while expanding production.

Prices are soaring and likely to stay high in the foreseeable future. According to the International Food Policy Research Institute in Washington, stocks are falling to their lowest level in three decades, well below the 17 per cent the United Nations Food and Agriculture Organisation believes necessary to provide a margin of safety for world food security.

In fact, stocks have fallen 2 per cent below the levels of the early 1970s, when food shortages gave a big push to inflation.

Farm economists are uncertain whether the stocks crisis signals a long-running food shortage. The International Food Policy Research Institute in Washington notes that farmers in Canada, the US, Russia and Ukraine have already expanded wheat plantings in response to high prices and fertiliser demand is increasing.

"If governments pursue appropriate macroeconomic and sector policies and expand investment in agriculture research and technology, agricultural productivity will increase, global grain production will keep up with demand and real cereal prices will continue the downward trend of the last 50 years," it said.

"If there is insufficient investment in the agriculture and rural sectors, real cereal prices could rise. The degree of success with which China and the countries of eastern Europe and the former Soviet Union make reforms along these lines will significantly influence future global food supply and demand."

Mr Mark Ritchie of the Minneapolis-based Institute for Agriculture and Trade Policy says the new programme was based on a 10-year-old assumption of endless surpluses. It has not factored in demand from a prospering China, the end of the Cold War or changing weather patterns. He sees the new export tax on EU wheat exports and worries that the US government may impose similar measures to stem food price rises.

"This programme means the end of farm and food stabilisation," he said. "While prices are up farmers won't notice but consumers will. In the next few years the foolishness of the farm bill will become apparent."

New Zealand man-made forest up for sale

By Terry Hall in Wellington

The New Zealand government is to offer the Kaingaroa Forest – described as the world's biggest man made forest – for sale in international tender later this year.

Planting of the forest, of radiata pine and douglas fir, began as a make-work scheme in the 1930s depression. It now covers 188,000 hectares in central North Island and is the main asset of the state-owned Forestry Corporation, which is also included in the offer. Under the proposal, the land under the trees will not be sold. Most of it is claimed by Maori tribes.

Most opposition parties oppose the sale. The left wing Alliance Party calls it "the last desperate ideological play" by the government before the elections due later this year. Labour says it will hold an enquiry into the sale if it gains office.

Mr Bill Birch, the Minister of Finance, says the sale will be conditional on the new owners satisfying the government that they will add downstream timber processing facilities to create jobs.

The forest, valued at NZ$1.7bn (US$1.16bn), represents 12 per cent of New Zealand's commercial forestry and supplies 77 per cent of its annual *pinus radiata* harvest to the local market. It is a major exporter of logs to Japan and Korea, and of processed timber to the US, Japan, Korea and Australia.

Several major forestry companies have already indicated that they are interested in buying the Forestry Corporation assets. They include New Zealand-based Fletcher Challenge and Carter Holt Harvey and Weyerhauser of the US.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1601-2	1634-5
Previous	1613-4	1646-7
High/low		
AM Official	1595-6	1627-8
Kerb close		N/A
Open int.	221,705	
Total daily turnover	91,004	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1360-70	1400-5
Previous	1365-75	1405-10
High/low		
AM Official	1370-5	1400-5
Kerb close		N/A
Open int.	5,623	
Total daily turnover	1,194	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	799-801	785-6
Previous	788-90	780-1
High/low		
AM Official	786-7	780-3
Kerb close		N/A
Open int.	38,783	
Total daily turnover	11,218	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	7975-85	8065-70
Previous	8030-40	8130-35
High/low		
AM Official	8020-30	8120-30
Kerb close		N/A
Open int.	40,807	
Total daily turnover	12,291	

■ TIN ($ per tonne)

	Cash	3 mths
Close	6350-60	6385-90
Previous	6345-55	6380-90
High/low		
AM Official	6350-60	6387-8
Kerb close		N/A
Open int.	18,308	
Total daily turnover	4,262	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1043-4	1066.5-7.0
Previous	1048.5-9.5	1072.5-3.0
High/low		
AM Official	1044.5-5.0	1067.5-8.5
Kerb close		N/A
Open int.	23,358	
Total daily turnover	70,424	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2478.5-80.5	2470-1
Previous	2456-8	2492-3
High/low		
AM Official	2483-5	2476-8
Kerb close		N/A
Open int.	173,889	
Total daily turnover	70,433	

■ LME AM Official £/$ rate: 1.5262
LME Closing £/$ rate: N/A

Spot: 1.5285 3 mths: 1.5246 6 mths: 1.5221 9 mths: 1.5198

■ HIGH GRADE COPPER (COMEX)

	Latest price	Day's change	High	Low	Vol	Open Int
Apr	112.90	-	113.40	112.60	236	2,788
May	112.85	-0.70	113.20	112.40	5,927	20,174
Jun	112.70	-	112.70	112.30	61	965
Jul	111.80	-0.60	112.18	111.30	1,034	6,265
Aug	111.80	-	111.80	111.50	10	520
Sep	110.90	-	111.00	110.60	220	3,364
Total					7,828	48,107

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	394.80-395.30		
Opening	393.80-394.30		
Morning fix	393.80	258.060	470.00
Afternoon fix	394.65	258.566	470.048
Day's High	394.80-395.30		
Day's Low	393.80-394.30		
Previous close	393.40-393.80		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	3.85	6 months	3.85
2 months	[illegible]	12 months	3.70
3 months	[illegible]		

Silver Fix	p/troy oz.	US cts equiv.
Spot	[illegible]	551.00
3 months	[illegible]	[illegible]
6 months	[illegible]	[illegible]
1 year	[illegible]	[illegible]

Gold Coins	$ price	£ equiv.
Krugerrand	[illegible]	[illegible]
Maple Leaf	[illegible]	
New Sovereign	[illegible]	[illegible]

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Latest price	Day's change	High	Low	Vol	Open int
Apr	394.7	+0.7	395.8	393.7	584	1,280
Jun	397.0	+0.4	398.2	395.2	26,279	97,677
Aug	399.0	+0.1	400.6	398.0	923	20,400
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

■ CRUDE OIL IPE ($/barrel)

■ HEATING OIL NYMEX (42,000 US galls; c/US galls.)

■ GAS OIL IPE ($/tonne)

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Latest price	Day's change	High	Low	Vol	Open int
May	125.35	-0.10	125.70	125.35	206	2,988
Jul	128.00	-	128.30	128.00	69	965
Sep	-	-	-	-	-	268

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

■ BARLEY LCE (£ per tonne)

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

■ SOYABEAN MEAL CBT (100 tons; $/ton)

■ POTATOES LCE (£/tonne)

■ FREIGHT (BIFFEX) LCE ($10/index point)

FUTURES DATA
All futures data supplied by CMS.

Nuts and Seeds

SOFTS

■ COCOA LCE (£/tonne)

	Latest price	Day's change	High	Low	Vol	Open int
May	977	+5	983	968	1,088	15,302
Jul	1000	+8	1004	988	2,580	24,022
Sep	1017	+8	1022	1007	2,521	40,120

■ COCOA CSCE (10 tonnes; $/tonnes)

■ COCOA (ICCO) (SDR's/tonne)

■ COFFEE LCE ($/tonne)

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

■ COFFEE (ICO) (US cents/pound)

■ WHITE SUGAR LCE ($/tonne)

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

■ COTTON NYCE (50,000lbs; cents/lbs)

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME and CSCE are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Apr 3	Apr 2	month ago	year ago
2108.3	2110.4	2120.1	2305.9

■ CRB Futures (Base: 1967=100)

Apr 2	Apr 1	month ago	year ago
252.29	252.21	243.15	235.37

■ GSCI Spot (Base: 1970=100)

Apr 2	Apr 1	month ago	year ago
211.21	209.25	195.13	179.08

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett. Price	Day's change	High	Low	Vol	Open int
Apr	63.800	-0.330	63.950	63.400	4,547	19,803
Jun	63.100	-0.280	63.325	62.800	5,563	32,921
Aug	62.850	+0.175	63.050	62.500	3,317	19,719

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett. Price	Day's change	High	Low	Vol	Open int
Oct	48.125	+0.575	48.300	47.300	1,164	3,476
Dec	49.125	+0.575	49.200	48.275	506	2,322
Total					[illegible]	42,470

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett. Price	Day's change	High	Low	Vol	Open int
May	74.375	+1.700	74.825	73.275	191	6,208
Jul	73.250	+1.525	73.575	71.850	272	3,237
Aug	70.200	+1.725	70.400	68.800	18	1,007
Feb	68.275	+1.650	68.825	67.900	30	175
Mar	68.000	+1.900	68.100	68.100	6	6
Total					517	10,734

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	May	Sep	May	Sep
1600	34	103	14	47
1700	2	55	62	98
1800	-	26	-	164
■ COPPER (Grade A) LME	May	Sep	May	Sep
2300	-	154	-	31
2400	82	93	7	66
2500	22	60	46	120
■ COFFEE LCE	May	Jul	May	Jul
1850	82	110	32	150
1900	54	100	54	181
1950	34	85	84	216
■ COCOA LCE	May	Jul	May	Jul
875	103	128	-	5
900	79	107	-	9
925	56	88	-	15
■ BRENT CRUDE IPE	May	Jun	May	Jun
1850	-	-	-	-
1900	-	72	8	67
1950	-	-	14	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel) +or-

		+or-
Dubai	$17.57-7.72x	-0.13
Brent Blend (dated)	$20.92-0.94	-0.15
Brent Blend (May)	$20.07-0.08	-0.06
W.T.I.	$22.36-2.37x	-0.08

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$212-213	+3
Gas Oil	$194-196	+3
Heavy Fuel Oil	$107-109	+1
Naphtha	$195-197	+1
Jet fuel	$214-216	
Diesel	$201-203	

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

Gold (per troy oz)§	$395.05	+1.45
Silver (per troy oz)§	557.50c	+6.00
Platinum (per troy oz.)	$405.15	+0.15
Palladium (per troy oz.)	$140.40	-0.10
Copper	123.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	15.87r	-0.08
Tin (New York)	299.5	-4.0
Cattle (live weight)†	107.17p	+10.46*
Sheep (live weight)†♣	199.39p	+14.93*
Pigs (live weight)†	115.91p	-20.45*
Lon. day sugar (raw)	$304.9	-1.4
Lon. day sugar (wte)	$407.0	-0.5
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	146.5	
Wheat (US Dark North)	Unq.	
Rubber (Apr)♥	101.50p	-1.0
Rubber (May)♥	101.50p	-1.0
Rubber (KL RSS No1)	383.00m	-1.0
Coconut Oil (Phil)§	$737.5v	+7.5
Palm Oil (Malay.)§	$542.5	-2.5
Copra (Phil)§	470.0v	+9
Soyabeans (US)	215.0v	-1.0
Cotton Outlook'A' index	82.90c	
Wooltops (64s Super)	444p	

JOTTER PAD

CROSSWORD

No.9,036 Set by VIXEN

ACROSS

1 A man, if preceding the Queen, must be neat (6)
4 Old church leader found faultless (8)
10 Seen as far from frosty (7)
11 A hirer without point will come in again (2-5)
12 Impound – and about time! (4)
13 More than one demise put readers off (10)
15 Article on a dreadful place in the Middle East (6)
16 Taken over (7)
20 Unusual employment for an older man (7)
21 The minister is English and so correct (6)
24 All out, even if with some irregularity (10)
26 Assumption of superiority that's the making of a team (4)
28 A person not doing well in either finals or annual exams (4-3)
29 Go on about a member standing up (7)
30 Allot the underworld prison quarters (8)
31 Constituents are possibly after a close win (6)

DOWN

1 Demonstrate approval of an employee going on strike (8)
2 Tire agent out but get a merger organised (8)
3 Every one requires a certain amount of teaching (4)
5 Ran up a charge – five hundred – as told (8)
6 He's upset because of a man producing pictures (10)
7 The consumer showing some hesitation accepting a note (5)
8 A flighty creature's infantile complaint (6)
9 Ophidian summer (5)
14 Seafood as the principal part of a meal? (4,6)
17 Scoffed after the continental mini broke down, being put out (9)
18 Robbers on land and in ships (8)
19 A copier is material to 7 (8)
22 Leave behind the city thoroughfare (6)
23 A woman left in charge (5)
25 Love for one's productive plot (5)
27 Name change that's the last word! (4)

Solution 9,035

PANACEA INFERNO / ROGUE CHAIRLIFT / SHIPSHAPE HEGEL / LEECH MOMENTARY / HOTHEADED STAFF / RUMBA CELEBRATE / INDECORUM NOTED / TALLYHO NOSTRUM

INTERNATIONAL CAPITAL MARKETS

Spain outperforms on surprise rate cut

By Richard Lapper and Antonia Sharpe in London, and Lisa Bransten in New York

Strong outperformance by Spain in the wake of a surprise rate cut was the highlight of an otherwise quiet day on the government bond markets.

Investors welcomed the 50 basis point cut in the repo rate, which reduced the securities repurchase rate by 50 basis points to 7.75 per cent. The rate cut was the third this year and the fourth since the repo rate peaked at 9.25 per cent in the second half of 1995.

In the cash market the 10-year yield spread of Spanish bonds over Germany fell by 14 basis points to 307 points and shorter-dated paper performed particularly well. By mid-afternoon yields on benchmark two-year paper had fallen by 21 basis points compared with an 8 point fall in the 10-year area.

Mr Ken Wattret, international economist with HSBC Markets, said the move had been well received and was justified in view of economic conditions, including inflation at a 25-year low. Mr Adrian Owens, economist with Julius Baer Investments, agreed. "If investors were worried about inflation, we would have seen a sell-off today," he said.

Both, however, said scope for further narrowing the bund spread could be limited. Mr Wattret said 300 basis points could be a psychological barrier. Mr Owens said many investors are setting 300 basis points as a target and could switch into Italy as the spread approaches that point.

■ Yesterday, however, Italian bonds were also helped by the Spanish move, partially because of the similar background of falling inflation. Italy's 10-year yield spread over Germany dropped to 431 basis points from 437 points on Tuesday. Swedish bonds tracked Germany with the 10-year yield spread remaining steady at 211 basis points.

■ Elsewhere, trading was quiet ahead of the Easter holidays and Friday's US unemployment figures. German bond futures traders chose to sell into the recent strength and as a result the Liffe bund contract lost some of the ground it had gained earlier this week.

On Liffe the June 10-year contract fell to an early afternoon low of 96.55, before recovering to close at 96.72, down nearly a quarter point.

GOVERNMENT BONDS

One trader reported increased demand for put options as dealers sought to protect their positions ahead of the Easter break. This pushed up the level of volatility implied by prices on the 10-year bund future. Implied volatility of 6.50 puts rose from 6 per cent to 6.27 per cent during the day.

■ The UK gilts market was quiet as traders squared their positions ahead of the long weekend. On Liffe, the June long gilt contract ended $\frac{1}{32}$ down at 105$\frac{18}{32}$ in low volume of 34,140 contracts.

Dealers said investors had little appetite to take risks after a tough first quarter and expected trading to remain quiet for the next week.

The calendar of gilts auctions for the new financial year announced by the Bank of England was in line with expectations. On April 24, the Bank will auction medium-dated stock with a maturity range of 2005 to 2007 and on May 29 long-dated stock in the range of 2020 to 2022.

On June 26, the Bank will auction short-dated stock in the range of 2000 to 2002, currently planned to be floating-rate. Details of the stock will be announced on April 16, May 21 and June 18 respectively.

■ French government bonds tracked bunds, with the June notional contract settling at 122.10, down 0.32.

■ US Treasury prices gave back some of their recent gains in early trading but remained in the narrow range that is expected to prevail until tomorrow's release of March employment figures.

Late in the morning, the benchmark 30-year Treasury was $\frac{11}{32}$ lower at 92¼ to yield 6.602 per cent and the two-year note was down $\frac{1}{32}$ to 98⅞, yielding 5.732 per cent.

Prices have kept within a relatively narrow band since March 8, when the market was stunned by a jump in the number of non-farm jobs created in February. Friday's figures are seen as especially important because they should indicate whether the February numbers were a one-time jump in job creation or a genuine shift in the pace of the US economy.

There was little immediate reaction to the release of figures showing a 1.1 per cent increase in personal income for February. That figure was stronger than the 0.8 per cent increase economists had expected, but was generally seen as related to the February's strong employment figure.

Liffe and Meff in talks on co-operation

By Richard Lapper

Meff, the Spanish derivatives exchange, and the London International Financial Futures and Options Exchange (Liffe) yesterday announced that they are exploring possible co-operation, underlining the recent trend towards links among the world's futures and options markets.

Liffe's chairman and chief executive will meet next Tuesday with their opposite numbers at the Madrid-based Meff Renta Variable (which lists the IBEX stock index and other contracts) and the Barcelona-based Meff Renta Fija (which lists the 10-year bond future and other contracts).

Meff said yesterday that the executives would "explore grounds of possible co-operation between both markets and discuss possible common strategies in light of the consequences and results of monetary union."

Liffe stressed that the talks were preliminary and in line with its policy of seeking links with other exchanges. Last year it agreed connections with the Chicago Board of Trade (CBOT) and the Tokyo International Financial Futures Exchange (Tiffe) and as part of the latter alliance will next week begin trading three-month euroyen contracts, the second most popular money market product in the world.

Later this year it will begin to trade the T-bond futures contract as part of the connection with the CBOT.

Differences in trading systems could limit the opportunity for trading links between Liffe and Meff, however. While Meff is an entirely electronic market, Liffe still trades the majority of its contracts by open outcry on its trading floor.

Japan to launch repo trading system this week

By Emiko Terazono in Tokyo

The launch this week of a bond sale and repurchase agreement, or repo, market will fill a gap in Japan's financial system, bringing the country into line with practices in the US, France and the UK.

Final regulations for the new market were put into place last month and Japanese banks and brokers expect to start trading the new instruments this week.

The repo system is expected to inject greater liquidity into the bond market and provide traders with an alternative means of financing their positions.

Trading in repos should also allow traders to meet tighter settlement standards, which are scheduled to be introduced in October.

The settlement period for bond transactions is to be reduced to seven days, from the current seven to 11 days, and eventually to three days. This will bring the Japanese market into line with standards in the eurobond market.

"We needed an efficient repo market in order to shorten the settlement period," said Mr Mikio Fujii at Nomura Securities.

The new market represents a modification of Japan's existing stock lending system – the *taishaku* market – which grew up from 1989 alongside the *gensaki* market.

Approximately Y14,800bn in stock loans were outstanding in the *gensaki* market as of September 1995 but this market – which operates on a buy and sell-back principle – has become less attractive to traders.

This is partially because of the recent growth in alternative sources of short-term funding which are not subject to transaction tax.

Tax is not charged on *taishaku* transactions but the system has been seen as relatively risky for banks and other institutions lending bonds.

This is because until January this year there were limits on the interest paid on the cash collateral or fee paid by borrowers.

The risks were highlighted by last year's collapse of Barings, the UK merchant bank, which had borrowed bonds from Japanese banks.

Although the banks were eventually reimbursed after Barings was rescued by ING, there were calls for a more efficient and risk-free settlement system and repo market.

Many bond market participants are applauding the new market.

Mr Marshall Gittler, a bond analyst at Merrill Lynch in Tokyo, says that a more efficient repo market will make it easier for traders to short the market, helping to reduce pricing anomalies.

Mr Tetsufumi Yamakawa, an economist at Goldman Sachs in Tokyo, expects an increase in bond purchases by institutional investors since the new market will offer opportunities for lending.

The Bank of Japan is also looking for ways to diversify its money market operations and is expected to participate in the new market.

However, growth is expected to be a gradual. The easy availability of finance currently will restrict demand for repos and some some traders remain wary of the credit risks of the counterparties.

"The *taishaku* market took more than four years to take off and the new market will probably be the same," says Mr Fujii at Nomura.

EIB taps demand for Italian floating-rate paper

By Samer Iskandar

The pace of issuance in the eurobond market has slowed dramatically in anticipation of the long weekend. Meanwhile, risk-averse investors have shown increasing appetite for floating-rate paper.

INTERNATIONAL BONDS

In Italy, political uncertainty and the threat of potential changes in taxation made the latest European Investment Bank floater a good defensive investment.

By doubling to L2,000bn the size of this issue, which was launched earlier this year, the EIB set a benchmark for the Italian floating-rate market.

Credito Italiano, part of the six-strong team of book-runners, pointed to several factors which helped make the launch successful: although the existing tranche was trading above par, the new paper was offered at 99.95.

The difference is significant for Italian investors, who would have had to take a charge had they paid a premium.

Another "sweetener" was the first coupon, which was set at around Libor minus ⅛; the following coupons will be equal to Libor minus 30 basis points.

ANZ Banking Group issued $300m of two-year bonds paying Libor flat. With a rating of single-A plus, the paper was deemed "quite expensive" by market participants.

One dealer compared it with a recent issue by Westpac which offered identical conditions and was judged "rich" despite its being rated double-A.

However, UBS, the lead manager of the ANZ deal, said institutional demand for money-market paper was strong, because fund managers were shortening the duration of their portfolios.

Furthermore, UBS pointed out that the Westpac issue had tightened since its launch to yield slightly less than Libor.

Late in the day, the ANZ paper was trading at 99.97, yielding Libor plus 1.5 basis point. The all-in cost is Libor plus 3 basis points.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
ANZ Banking Group‡	300	(a)	100.00R	Apr 1998	0.08R	-	UBS
Metro Pacific Corp(b)§	125	2.50	100.00	Apr 2003	2.50	-	Merrill Lynch International
SWISS FRANCS							
European Investment Bank	200	4.25	103.20	May 2004	2.125	-	SBC Warburg
ITALIAN LIRE							
European Investment Bank(c)‡	1000bn	(c1,e)	99.95R	Mar 2007	0.08R	-	(c2)
CANADIAN DOLLARS							
Cregem Finance	100	(d)	99.94R	May 2002	0.375R	+11(7½%-01)	Kredietbank Intl Group

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. §Convertible. ‡ Floating-rate note. R: fixed re-offer price; fees shown at re-offer level. a) 3-mth Libor flat. b) Conversion price: pesos 6.75. FX: 26.195 pesos/$. Callable from 11/10/98, subject to 140% hurdle, at par. Puttable on 11/4/01 at 128.88%. Greenshoe: $10m. c) Fungible with L1,000bn. c1) 3-mth Libor -30bp. c2) Joint book-runners: BCI, BNL, Cariplo, Credito Italiano, JP Morgan and San Paolo, Turin. d) 6.25% to 10/5/99 and 8.25% thereafter. e) Short 1st coupon.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		10.000	02/06	107.8840	+0.550	8.80	8.83	8.72
Austria		6.125	02/06	97.7600	-0.120	6.45	6.48	6.61
Belgium		7.000	05/06	102.3000	-0.150	6.66	6.77	6.93
Canada *		8.750	12/05	107.8900	-0.260	7.58	7.64	7.65
Denmark		8.000	03/06	103.8400	-0.040	7.44	7.49	7.66
France	BTAN	5.750	03/01	100.1250	-0.250	5.71	5.74	5.79
	OAT	7.250	04/06	104.9900	-0.360	6.55	6.56	6.74
Germany Bund		6.000	02/06	97.3300	-0.150	6.37	6.38	6.44
Ireland		8.000	08/06	100.0500	-0.050	7.98	8.02	7.90
Italy		9.500	02/06	94.2500	+0.080	10.45†	10.56	10.47
Japan	No 129	6.400	03/00	116.8260	-0.440	1.83	1.85	2.12
	No 182	3.000	09/05	98.9800	-0.690	3.14	3.19	3.22
Netherlands		6.000	01/06	97.3800	-0.220	6.36	6.43	6.40
Portugal		11.875	02/05	114.8500	+0.480	9.31	9.46	9.59
Spain		10.150	01/06	104.9100	+0.420	9.47	9.83	9.84
Sweden		6.000	02/05	84.8650	+0.540	8.50	8.44	8.98
UK Gilts		8.000	12/00	102-07	-2/32	7.42	7.49	7.24
		7.500	12/06	95-31	-3/32	8.07	8.13	7.98
		9.000	10/08	106-14	-2/32	8.17	8.25	8.10
US Treasury *		5.625	02/06	95-06	-5/32	6.29	6.25	6.04
		6.000	02/26	91-18	-11/32	6.65	6.59	6.48
ECU (French Govt)		7.500	04/05	103.3800	-0.170	6.99	7.09	7.25

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	5.15	Two year	5.77
Prime rate	8¼	Two month	5.16	Three year	5.89
Broker loan rate	7	Three month	5.16	Five year	6.05
Fed funds	5$\frac{5}{16}$	Six month	5.26	10-year	6.28
Fed funds at intervention	-	One year	5.47	30-year	6.66

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	122.20	122.10	-0.32	122.24	122.00	90,250	134,923
Sep	120.94	120.84	-0.30	120.94	120.82	99	4,463
Dec	119.68	119.56	-0.30	119.68	119.68	2	664

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls May	Calls Jun	Calls Sep	Puts May	Puts Jun	Puts Sep
119	-	-	-	0.06	0.25	1.00
120	-	-	-	0.13	0.39	-
121	-	-	-	0.28	0.64	-
122	0.63	1.06	1.13	0.57	1.01	2.27
123	0.22	0.61	-	-	-	-

Est. vol. total, Calls 7,007 Puts 24,210. Previous day's open int., Calls 144,698 Puts 164,357

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	96.85	96.72	-0.23	96.87	96.55	121016	222360
Sep	95.80	95.86	-0.23	95.90	95.80	177	5175

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls May	Calls Jun	Calls Jul	Calls Sep	Puts May	Puts Jun	Puts Jul	Puts Sep
9650	0.66	1.00	0.75	1.08	0.44	0.78	1.40	1.72
9700	0.39	0.73	0.57	0.87	0.67	1.01	1.71	2.01
9750	0.20	0.51	0.41	0.68	0.98	1.29	2.06	2.32

Est. vol. total, Calls 15296 Puts 13186. Previous day's open int., Calls 233313 Puts 184746

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	108.83	109.15	+0.19	109.27	108.71	30053	39026
Sep		108.60	+0.19			0	256

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Jun	Calls Sep	Puts Jun	Puts Sep
10900	1.58	2.31	1.43	2.71
10950	1.32	2.09	1.67	2.98
11000	1.08	1.88	1.94	3.28

Est. vol. total, Calls 1195 Puts 593. Previous day's open int., Calls 58239 Puts 75022

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	96.20	96.66	+0.54	96.94	95.95	90,461	47,590

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	105-14	105-18	-0-02	105-22	105-08	38219	120925
Sep		104-15	-0-02			0	165

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls May	Calls Jun	Calls Jul	Calls Sep	Puts May	Puts Jun	Puts Jul	Puts Sep
105	1-06	1-33	1-14	1-49	0-34	0-61	1-48	2-19
106	0-36	0-62	0-54	1-22	1-00	1-26	2-24	2-58
107	0-14	0-37	0-35	1-01	1-42	2-01	3-05	3-35

Est. vol. total, Calls 7340 Puts 168. Previous day's open int., Calls 41310 Puts 39207

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	90.30	90.30	-0.12	90.34	90.12	2,610	7,818
Sep	-	89.00	-	-	-	-	-

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Jun	112-11	111-24	-0-18	112-19	111-24	164,815	349,939
Sep	112-00	111-09	-0-17	112-00	111-09	1,262	20,598
Dec	110-29	110-25	-0-16	110-29	110-25	47	3,898

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Jun	119.39			119.60	119.35	2898	0

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Wed Apr 3	Day's change %	Tue Apr 2	Accrued interest	xd adj. ytd		Low coupon yield Apr 3	Apr 2	Yr. ago	Medium coupon yield Apr 3	Apr 2	Yr. ago	High coupon yield Apr 3	Apr 2	Yr. ago
1 Up to 5 years (24)	121.48	-0.02	121.46	2.14	2.43	5 yrs	7.53	7.52	8.30	7.56	7.55	8.37	7.68	7.65	8.50
2 5-15 years (19)	146.05	-0.04	146.11	3.95	1.82	15 yrs	8.23	8.22	8.34	8.25	8.23	8.41	8.35	8.33	8.62
3 Over 15 years (9)	159.10	-0.06	159.25	2.31	3.48	20 yrs	8.31	8.30	8.32	8.30	8.29	8.41	8.39	8.36	8.57
4 Irredeemables (6)	182.63	+0.04	182.56	3.54	1.47	Irred.†	8.36	8.36	8.40						
5 All stocks (58)	141.13	-0.04	141.17	2.74	2.36										

Index-linked							Inflation 5% Apr 3	Apr 2	Yr. ago	Inflation 10% Apr 3	Apr 2	Yr. ago
6 Up to 5 years (1)	197.55	-	197.56	3.88	0.00	Up to 5 yrs	2.97	2.96	3.40	1.84	1.82	2.01
7 Over 5 years (11)	185.90	-0.03	185.95	1.37	0.84	Over 5 yrs	3.74	3.73	[illegible]	3.54	3.53	3.64
8 All stocks (12)	186.03	-0.03	186.08	1.43	0.82							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Apr 3	Apr 2	Apr 1	Mar 29	Mar 28	Yr ago	High*	Low*
Govt. Secs. (UK)	92.40	92.57	92.29	92.15	91.84	91.98	96.34	91.97
Fixed Interest	111.54	111.56	111.43	110.63	110.60	111.02	115.23	110.74

* for 1996. Government Securities high since compilation: 127.4 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974

GILT EDGED ACTIVITY INDICES

	Apr 2	Apr 1	Mar 29	Mar 28	Mar 27
Gilt Edged bargains	90.8	81.5	108.3	115.7	113.3
5-day average	101.9	102.6	107.4	102.7	98.7

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on April 3

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	99	99¼	-⅛	6.68
ABN Amro Bank 7¼ 05	1000	102½	102¾		6.89
Sweden 8 97	2500	103⅝	103⅞		3.65
United Kingdom 7¼ 97	[illegible]	103	103⅛		3.76
Volkswagen Intl Fin 7 03	1000	103	103⅛	+⅛	6.48
Abbey Natl Treasury 8 03 £	1000	98¼	98½		8.34
Alliance Leics 11¼ 97 £	100	104⅝	105⅛	-⅛	6.71
British Land 8⅞ 23 £	150	87¾	88¼	+⅛	10.47
[illegible]					

[illegible]

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month above mean rate) for US dollars. C.cpn=The current coupon. CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

UK GILTS PRICES

	Notes	Yield Int	Yield Red	Price £	+ or –	52 week High	52 week Low
Shorts (Lives up to Five Years)							
Treas 15¼pc 1996‡‡		15.13	5.98	100$\frac{13}{16}$		108⅛	100$\frac{13}{16}$
Exch 13¼pc 1996‡‡		13.14	5.93	100$\frac{27}{32}$		106$\frac{19}{32}$	100$\frac{27}{32}$
Treas 2pc 1996		0.92	5.84	216$\frac{13}{16}$		216$\frac{7}{16}$	207¼
Conversion 10pc 1996		9.76	6.00	102$\frac{7}{16}$		104$\frac{13}{16}$	102$\frac{7}{16}$
Treas 13¼pc 1997‡‡		12.55	6.05	105$\frac{9}{16}$		109$\frac{15}{16}$	105$\frac{9}{16}$
Treas 12¾pc 2003-5		9.98	8.60	128¼	-⅛	131⅛	122$\frac{3}{16}$
Treas 8½pc 2005‡‡		8.24	8.01	103⅛	-$\frac{1}{16}$	108$\frac{11}{16}$	99$\frac{13}{16}$
Treas 7¾pc 2006‡‡		7.92	8.06	95$\frac{23}{32}$	-$\frac{1}{16}$	101$\frac{15}{16}$	94$\frac{13}{16}$
Treas 7¼pc 2006‡‡		7.95	8.08	97½	-$\frac{1}{16}$	103⅛	94$\frac{3}{16}$
Treas 8pc 2002-6‡‡		8.07	8.14	99¼xd	-¼	104$\frac{11}{16}$	95$\frac{11}{16}$
[illegible]							

Index-Linked	Notes	Yield (1)	Yield (2)	Price £	+ or –	52 week High	52 week Low
4⅝pc '98‡‡	(135.6)	1.68	2.90	111$\frac{13}{16}$	-$\frac{1}{16}$	113⅜	109$\frac{13}{16}$
2½pc '01	(78.3)	3.11	3.61	177$\frac{13}{16}$	-$\frac{1}{16}$	180$\frac{1}{16}$	169⅝
2½pc '03	(78.8)	3.26	3.65	173$\frac{7}{16}$	-$\frac{1}{16}$	176$\frac{3}{16}$	165$\frac{1}{16}$
4⅜pc '04‡‡	(135.6)	3.28	3.64	114$\frac{3}{16}$	-$\frac{1}{16}$	116$\frac{13}{16}$	110$\frac{3}{16}$
2pc '06	(69.5)	3.49	3.67	181$\frac{13}{16}$	-$\frac{1}{16}$	185$\frac{15}{16}$	172$\frac{13}{16}$
[illegible]							

[illegible]

Other Fixed Interest

[illegible]

■ "Tap" stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock. Prospective real redemption rates are calculated by HSBC Greenwell from Bank of England closing prices.

CURRENCIES AND MONEY

MARKETS REPORT

Rand falls to record lows against the dollar

By Graham Bowley

The South African rand fell to a record low level against the dollar yesterday on concerns about the future policy direction of Mr Trevor Manuel, the incoming finance minister.

The Spanish peseta rallied to a 15-month high against the D-Mark after the Bank of Spain surprised markets by cutting its key money market rate and changing its tactics on currency intervention.

The Japanese yen recovered against the dollar after comments by Mr Yasuo Matsushita, the governor of the Bank of Japan, intensified speculation that Japanese interest rates might be raised soon.

The rand finished in London at R4.1107, from R4.0098 at Tuesday's close.

The Spanish peseta closed against the D-Mark at Pta83.74, from Pta84.06.

The dollar finished in London at DM1.4792 from DM1.4818. Against the yen, it closed at Y106.9, from Y107.3950.

The pound remained stable after the UK's ruling Conservative Party agreed to hold a referendum on European Monetary Union if it were to be re-elected. The pound closed at DM2.257, from DM2.2587. Against the dollar, it closed at $1.5259, from $1.5243.

■ The rand's woes deepened yesterday amid continued uncertainty surrounding Mr Manuel, a member of the ruling African National Congress, who was due to take office at midnight last night.

"The market is unsettled about what Trevor Manuel's priorities are going to be," said Mr Lawrence Hatheway, currency strategist at UBS in London.

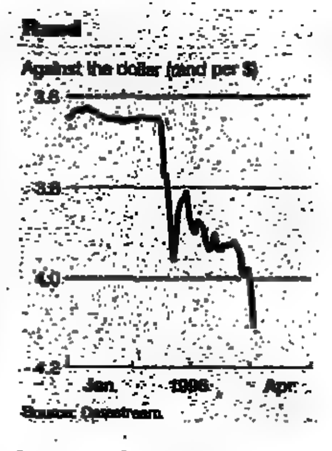
The rand slipped earlier this week but its decline accelerated yesterday on fears that Mr Manuel's appointment might signal a significant change in economic policy and on rumours that there were policy differences between Mr Manuel and Mr Chris Stals, the central bank governor.

Speculation that Mr Manuel might be considering removing all foreign exchange controls and talk of large orders for dollars by some big South African companies exacerbated the rand's weakness.

Mr Manuel sought to calm market jitters at a press conference, where he said the rand was likely to recover to below R4.0.

But Mr Hathaway said that Mr Manuel's comments at the conference suggested that keeping inflation under control was only one of the finance minister's many priorities. "This didn't help the rand and there is now a risk premium building," he said.

The rand's previous low against the dollar was R4.03 in February.



Source: Datastream

■ The Spanish peseta breached the key DM84 level against the D-mark after the Bank of Spain unexpectedly cuts its repo rate by half a percentage point to 7.75 per cent.

The central bank also ended its policy of intervention to prevent the peseta from appreciating. It intervened heavily in recent months to stop the currency strengthening excessively over fears for Spanish exports. But yesterday it was absent from the market as the currency rose.

Figures published yesterday illustrated the extent of its recent intervention. It amassed an extra $3.6bn in foreign exchange reserves last month, taking the total rise in reserves for the first three months of the year to around $7.4bn.

■ The dollar was again buffeted by speculation over the direction of Japanese interest rates.

It was knocked off a 26-month high of around Y108 in overnight trading following comments by Mr Matsushita, the central bank governor.

Mr Matsushita said the Japanese economy was now recovering and that it was "natural for interest rates to rise on the back of expectations of economic recovery."

Most analysts said the comments were uncontroversial. But the markets appeared to interpret the remarks as a signal of higher Japanese interest rates and the dollar was pushed down to a low of around Y106.9 before recovering slightly before the close.

The comments also hit government bond markets. German bunds in particular moved lower as the likelihood of large Japanese capital outflows appeared to diminish. The Italian and Spanish government bond markets however moved higher, which in turn lifted the Italian lira and provided further support for the peseta.

■ Pound in New York

Apr 3	Latest	Prev. close
£ spot	1.5260	1.5245
1 mth	1.5253	[illegible]
3 mth	1.5239	1.5224
1 yr	1.5164	1.5149

■ OTHER CURRENCIES

Apr 3	£	$
Czech Kr	41.3950 - 41.4850	27.1300 - 27.1480
Hungary	219.357 - 219.544	143.800 - 143.850
Iran	4578.60 - 4578.50	3000.00 - 3000.00
Kuwait	0.4564 - 0.4571	0.2992 - 0.2995
Poland	3.9457 - 3.9498	2.5865 - 2.5880
Russia	7441.38 - 7448.39	4878.00 - 4881.00
U.A.E.	5.6022 - 5.6054	3.6724 - 3.6728

POUND SPOT FORWARD AGAINST THE POUND

Apr 3		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	15.8697	-0.0125	626 - 768	15.9079	15.8557	15.8397	2.3	15.7572	2.8	-	-	105.8
Belgium	(BFr)	46.3782	-0.0261	447 - 117	46.4670	46.3430	46.2732	2.7	46.0532	2.7	45.1492	2.7	108.0
Denmark	(DKr)	8.7119	-0.0056	076 - 161	8.7276	8.7043	8.7003	1.6	8.6735	1.7	8.6589	1.6	108.8
Finland	(FM)	7.0562	-0.0022	531 - 652	7.0960	7.0490	7.0548	0.7	7.0467	0.7	-	-	83.0
France	(FFr)	7.6953	-0.0012	[illegible] - 962	7.7152	7.6875	7.6824	2.0	7.6597	1.8	7.5598	1.8	109.8
Germany	(DM)	2.2570	-0.0017	561 - 579	2.2615	2.2542	2.2519	2.7	2.2418	2.7	2.195	2.7	110.0

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Apr 3		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P Morgan Index
Europe													
Austria	(Sch)	10.4005	-0.0187	[illegible] - 027	10.4260	10.3870	[illegible]	2.0	10.3471	2.1	10.1868	2.1	106.7
Belgium	(BFr)	30.3950	-0.048	[illegible] - 100	30.4830	30.3570	30.342	2.1	30.2355	2.1	29.758	2.1	107.6
Denmark	(DKr)	5.7095	-0.0035	080 - 110	5.7287	5.7000	5.7045	1.1	5.6945	1.1	[illegible]	-0.1	108.0
Finland	(FM)	4.6254	-0.0062	[illegible]	4.6445	4.6206	4.6199	1.7	4.6079	1.6	4.5824	1.4	82.4
France	(FFr)	5.0433	-0.0059	[illegible] - 440	5.0587	5.0360	5.0379	1.4	5.0274	1.3	4.9853	1.2	[illegible]
Germany	(DM)	1.4702	-0.0026	789 - 794	1.4837	1.4770	1.4765	2.2	1.4714	2.1	1.4475	2.1	109.3

Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Apr 2: Base average 1990=100. ... Exchange rates for April 5th will appear in Saturday April 6th edition. Exchange rates for Thursday April 4th ... Cityline 0891 437001

WORLD INTEREST RATES

CROSS RATES AND DERIVATIVES

UK INTEREST RATES

BASE LENDING RATES

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Jun	PUTS Sep	PUTS Dec
9050	0.32	[illegible]	0.89	[illegible]	0.32	0.41
9075	0.20	0.57	0.72	0.45	[illegible]	0.49
9100	0.11	0.43	0.58	0.61	0.52	0.60

Est. vol. total, Calls 1910 Puts 2. Previous day's open int., Calls 20291 Puts 10875

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

BANKS, MERCHANT

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING - Cont.

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

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LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

LEISURE & HOTELS - Cont.

OTHER FINANCIAL - Cont.

PROPERTY - Cont.

SUPPORT SERVICES - Cont.

AIM - Cont.

LIFE ASSURANCE

MEDIA

PAPER, PACKAGING & PRINTING

RETAILERS, FOOD

RETAILERS, GENERAL

TELECOMMUNICATIONS

TEXTILES & APPAREL

AMERICANS

CANADIANS

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£29¾	—	£34½	£29½	1,985	2.8	♦
Barlow	♣	88	-3	£10½	854	1,818	1.7	♦
Energy Africa		157½	-6½	174	157½	143.4	–	–
Gold Fids Prop R		139xa	—	170	135	14.2	6.9	9.7
SA Brews		£19½	-3	£28½	£16½	5,780	1.8	29.8
Standard Bank	□	£28¾	-3	£32½	£20½	3,453	1.5	22.1
Tongaat-Hulett	†	856	—	1,247	865	865.0	1.8	28.2
[illegible]		90	—	95	85	3.82	11.3	–
[illegible]	♥	605	-20	648	475	3,548	2.1	–
[illegible]		975	-27	1,270	850	1,466	1.8	♦

TOBACCO

TRANSPORT

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

PHARMACEUTICALS

RETAILERS, GENERAL - Cont.

OIL EXPLORATION & PRODUCTION

PROPERTY

WATER

AIM

SUPPORT SERVICES

OIL, INTEGRATED

OTHER FINANCIAL

LEISURE & HOTELS

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Extel, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR "Headline Earnings" formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- ▾ Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ♦ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ‡ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- § Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ◊ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♦ Unregulated collective investment scheme.

a Yield based on annualised dividend. b Figures based on prospectus or other official estimates. c Dividend yield includes a special payment. † Indicated dividend yield, p/e ratio based on latest annual earnings. e Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings. v P/e ratios are calculated under new ACT guidelines. z Dividend yield includes a special payment. ß Yield based on prospectus or other official estimates for 1995. K Yield based on prospectus or other official estimates for 1996. L Estimated annualised yield, p/e based on latest annual earnings. ¶¶ Yield based on prospectus or other official estimates for 1995-96. & Forecast annualised yield, p/e based on prospectus or other official estimates for 1996.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xf ex capital distribution.

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

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OFFSHORE INSURANCES

MANAGED FUNDS NOTES

LONDON STOCK EXCHANGE

MARKET REPORT

Equity market starts to wind down for Easter

By Steve Thompson, UK Stock Market Editor

Not even a scintillating performance by the market's latest takeover target, Pearson, the media group, was able to resuscitate a UK equity market suffering from signs of fatigue in the run-up to the Easter holiday.

A general lack of interest by the big institutions ahead of the long weekend, and a widespread reluctance by the big marketmaking firms to take on any large trading positions ahead of the US non-farm payroll report on Friday, were other factors affecting market sentiment.

And there was little help to London from Wall Street's early showing, which saw the Dow Jones Industrial Average down some 25 points shortly after the opening of US markets. After London closed for business, the Dow moved into positive territory.

A twitchy performance by gilts was an additional unsettling factor, with the market displaying increasing nervousness over the domestic political situation.

The day was not entirely without incident: Omnicom, the US group, sold its entire stake – 75m shares and 50 warrants – in UK advertising and media company Aegis via Morgan Stanley and Cazenove. The deal gave a substantial boost to turnover in equities, which eventually reached 986.7m shares at the 6pm reading. Customer business on Tuesday came out at £2.1bn.

At the end of the day, the FT-SE 100 was left with a 3.4 loss at 3,725.1, bringing to an end the market's recent strong run which has seen the index put on 64.2, or just short of 2 per cent, over the past five trading sessions.

The FT-SE Mid 250 index, on the other hand, registered its sixth successive rise, climbing 11.2 to a new all-time high of 4,359.9. The driving forces behind the index yesterday included outstanding gains in Sage Group, the software company, and JD Wetherspoon, the pubs group. Sage shares jumped 7 per cent yesterday, following a similar gain on Tuesday, while Wetherspoon shares responded to their inclusion in the second tier index.

The trading session began on a positive note, with Wall Street's 33-point rise overnight, amid a fresh bout of takeover/merger speculation, lifting stock prices. Opening around 6 points ahead, the Footsie failed to attract any substantial support from the institutions and quickly began to lose ground, in spite of good gains in a number of specific sectors, notably food retailing and brewing.

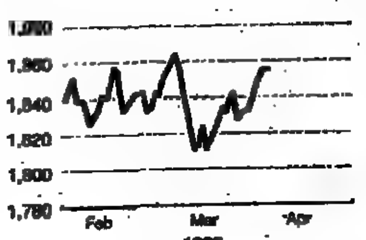
The absence of hard takeover news, apart from the expected agreed bid by Siebe for Unitech, was another bearish factor in the market.

Reports that the petrol price war in supermarket forecourts looks to have run its course provided plenty of impetus for the food retailers, which were featured by Tesco and Argyll. The integrated oil stocks, especially Shell, also did well.

The Footsie's other big winners over the session included Pearson, where takeover rumours returned to drive the shares back over the 700p mark.

At its worst of the day, in mid-morning, the Footsie posted an 8.7 decline, before rallying and falling back again as Wall Street fell away.

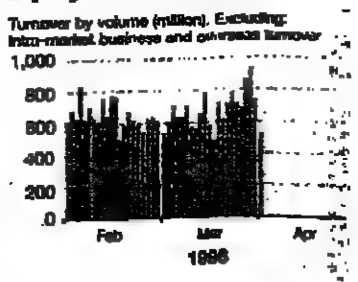
FT-SE-A All-Share index



Source: FT Extel

Equity shares traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Indices and ratios

FT-SE 100	3725.1	-3.4	FT Ordinary Index	2784.0	-12.5
FT-SE Mid 250	4359.9	+11.2	FT-SE-A Non Fins p/e	17.16	17.11
FT-SE-A 350	1877.0	-0.2	FT-SE 100 Fut Jun	3730.0	-6.0
FT-SE-A All-Share	1855.89	-0.01	10 yr Gilt yield	8.06	8.05
FT-SE-A All-Share yield	3.79	3.79	Long gilt/equity yld ratio:	2.21	2.21

Best performing sectors

1 Retailers: Food ....+1.5
2 Electronic & Elec ....+1.2
3 Media ....+0.8
4 Breweries: Pubs & Rest ....+0.6
5 Oil Exploration & Prod ....+0.6

Worst performing sectors

1 Engineering: Vehicles ....-1.6
2 Tobacco ....-1.2
3 Alcoholic Beverages ....-1.1
4 Chemicals ....-0.9
5 Leisure & Hotels ....-0.9

Pearson outruns market

Media conglomerate Pearson was the best performer among the Footsie stocks on bid speculation and broker support.

News that Bertelsmann, the privately owned media group, is to create Europe's biggest broadcaster through a merger with CLT prompted analysts to focus on Pearson, which owns the Financial Times. "In a year of joint ventures and affiliations, the market is looking at companies with quality assets," said an analyst.

No obvious potential aggressors have been touted but dealers have mentioned Carlton Communications and the newly merged United News & Media as possible UK candidates.

There are also a number of big US groups, such as Time Warner, which could be seeking a European foothold.

Finally, Cazenove, the company's broker – which never comments on market talk – was believed to have issued a buy recommendation. Pearson gained 23 at 701p, the top end of its current trading range.

Retailers shine

Confirmation of an increase in petrol prices sparked a wave of buying in food retailers, on hopes that the fierce price war among petrol retailers was drawing to a close.

Food retailers account for around 20 per cent of UK petrol sales and both Tesco and J. Sainsbury yesterday confirmed they had raised their prices by 2p, in line with several of the big oil companies.

The supermarket sector had underperformed the market by about 9 per cent since the start of the year and analysts said yesterday it looked set for a sustained recovery.

Mr Andrew Fowler at UBS is among those that believe the recovery story of the sector and said he based his view on "the rise in petrol prices, the absence of new food price initiatives, and reassuring recent results from the smaller food retailers".

Among individual stocks, Tesco registered the sharpest rise in percentage terms, adding 7½ at 274p in heavy trade of 13m. It was followed by Argyll, which advanced 6½ to 316p in hefty turnover of 10m. Sainsbury put on 4 at 371p and Asda Group, in which 20m were dealt, held at 107p. Analysts at Kleinwort Benson believe the stock shows "the greatest long term potential growth in the sector".

Frost Group was also boosted by the increase in petrol prices. The shares closed 19 ahead at 143p, with bid speculation said to have been an additional factor.

Burmah Castrol rose 19 to 1085p on the back of a big buy order in the market and post-results enthusiasm from Merrill Lynch. The broker's forecasts were already at the top of the range of analysts' estimates and it has moved its current year net income figure up by £4m to £156m. It believes the shares would be fairly valued at between 1120p and 1150p.

Recent recommendations boosted Shell Transport another 10 to 857p.

Engineering group Siebe receded 23 to 874p in trade of 3.8m after it announced an agreed £520m bid for Unitech, the electronic components and equipment group. Unitech jumped 29 to 703p, with dealers suggesting the terms of the share exchange bid were more generous than had been expected.

Ladbroke closed 6 lighter at 185p, with dealers suggesting that Bass, which is in talks to buy brewer Carlsberg-Tetley, is now an unlikely bidder for the UK gaming group.

There was heavy profit-taking in Thorn EMI which brought turnover of 2m. The shares retained some of Tuesday's strong gain but closed 36 down at 1805p.

Among transport stocks, passenger traffic figures showing a 9.8 per cent year-on-year increase from British Airways helped the shares recover some ground from an earlier fall, ending 3 off at 534p in trade of 4.8m.

The meteoric rise in JD Wetherspoon, now the second largest of the independent pub companies after Greenalls, continued with the company joining the FT-SE Mid 250 index. It replaced MAI, which left as the merger with United News & Media was declared unconditional.

Wetherspoon jumped 45 to 929p, a movement that was enhanced by an "add" note from NatWest Securities, which said the company had "the finance and expertise to maintain its significant growth rate".

Big brewers basked in the news that Bass is negotiating to buy all of Carlsberg-Tetley, the third largest UK brewer. The feeling is that the sooner the UK brewing business consolidates the better, as it will help pave the way for some margin restoration.

Bass firmed 5 to 767p, Whitbread 8½ to 701½p, Scottish & Newcastle a penny to 644p and Allied Domecq 3 to 500p.

Grand Metropolitan's recall of packets of banana bread in the US provoked comments about banana skins, but it was the announcement of the early retirement of Mr Bob Furek, president of the company's Americas drinks arm, which was responsible for a fall of 8 to 414½p.

Vehicle distributor Henlys climbed 13 to 636p after 1996 first-quarter results came out in line with expectations but significantly ahead of the same period last year.

AIM stock Dicom, floated at 270p a share, started trading at 315p and ended at 310p.

Aegis, the media group, rose 2¼ to 50p after Omnicom, of the US, sold 75m shares and 50m warrants – its entire 9.1 per cent stake – at 47.5p per share and 19.5p per warrant. The placing by Cazenove and Morgan Stanley was with a range of institutional investors and the offer was said to be significantly oversubscribed.

National Power was a penny firmer at 487p. The shares were supported by news that the generator has been selected as preferred bidder to take a $215m stake in a recently built Pakistan power station.

United News & Media rose 21 to 666p on further buying following the news that its merger with MAI has been cleared. United also revealed full-year figures, and while they were not impressive they were in line with estimates. Lord Stevens, the chairman, said they reflected good performances in magazines, exhibitions and media services, where both existing and newly acquired businesses achieved substantial profits increases. MAI improved 11 to 424p.

Golden Rose, the group which owns Jazz FM and struggling Viva Radio, was firm at 71p. There is speculation that the Guardian newspaper group, which recently increased its stake to 15 per cent, has Golden Rose in its sights. There is a possibility it could be interested in a reverse takeover which would enable it to get an instant listing on the stock exchange. But much depends on the regulations of the governing Scott Trust.

There was strong demand for software company Sage Group for the second session in a row. The shares topped the list of the best performers in the FT-SE Mid 250 index yesterday after rising 27 to 395p.

MARKET REPORTERS:
Peter John, Joel Kibazo, Lisa Wood.

FINANCIAL TIMES EQUITY INDICES

	Apr 3	Apr 2	Apr 1	Mar 29	Mar 28	Yr ago	*High	*Low
Ordinary Share	2784.0	2796.5	2781.0	2768.0	2743.9	2444.0	2807.9	2696.7
Ord. div yield	3.88	3.86	3.90	3.92	3.95	4.33	4.06	3.78
P/E ratio net	16.56	16.66	16.49	16.41	16.29	16.80	17.28	15.96
P/E ratio nil	16.24	16.34	16.17	16.09	15.97	16.71	17.08	15.78

Ordinary Share index since compilation: high 2807.9 05/03/96; low 49.4 26/06/40. Base Date: 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2801.9	2797.0	2791.7	2789.9	2790.4	2788.8	2787.0	2784.1	2781.6	2803.5	2779.8

	Apr 3	Apr 2	Apr 1	Mar 29	Mar 28	Yr ago
SEAQ bargains	49,354	52,469	45,617	44,410	45,406	41,186
Equity turnover (£m)†	-	2063.3	1138.4	2090.6	2907.4	1901.8
Equity bargains†	-	61,395	53,709	48,875	54,997	62,092
Shares traded (m)†	-	770.8	525.9	742.1	986.1	850.8

†Excluding intra-market business and overseas turnover

	Apr 3	Apr 2	Apr 1	Mar 29	Mar 28	Yr ago	*High	*Low
FT-SE AIM	991.00	990.70	988.00	988.90	990.60		1004.02	965.68

*For 1996.

London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	576	Total Highs	150	Total contracts	33,656
Total Falls	634	Total Lows	20	Calls	14,761
Same	1,585			Puts	18,895

Apr 3 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	3738.0	3730.0	-6.0	3740.0	3722.0	6192	58296
Sep	3735.0	3739.0	-4.0	3739.0	3735.0	100	2395
Dec	3765.0	3765.0	-6.0	3765.0	3765.0	10	21

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun		4360.0	+15.0			0	3519

■ FT-SE 100 INDEX OPTION (LIFFE) (*3722) £10 per full index point

[illegible]

Calls 1,700 Puts 5,716

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

[illegible]

Calls 4,184 Puts 2,856 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1996 High	1996 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
-	F.P.	11.8	24½	20	Aegis Wrts	23½					
55	F.P.	63.1	60	56	Chelsea Village	60					
270	F.P.	31.8	325	305	Dicom	310					
100	F.P.	15.7	137	105	Easynet	110					
165	F.P.	37.1	183	180	†First Info	183					
-	F.P.	46.5	55	53	Fleming Wrld Inc	54					
-	F.P.	60.1	192	183	Fulmar	183					
-	F.P.	31.2	95	93½	GT Inc Gwth Tst	95					
100	F.P.	27.2	97	96	Hill Smll UK Emg Co	96					
-	F.P.	0.93	80	80	Hurlingham Props	80					
75	F.P.	18.5	88	75½	ILP Group	88					
-	F.P.	28.6	143	108	†IOC Intl	121					
100	50	23.1	55	48	Life Offices Opport	54					
145	F.P.	109.6	181	145	Macdonald Hotels	181					
125	F.P.	15.7	130	113	†Marine & Merc	130					
-	F.P.	26.0	702	675	New Asia Fund	683					
205	F.P.	2,801	244	220	Orange	221					
500	F.P.	177.0	615	89	Perp Inc & Gwth	515					
100	F.P.	16.5	105	103	†Prmry Hlth Props	103					
32	F.P.	3.08	34	32	Raphael Zorn	34					
3	F.P.	5.28	4	3½	Silver Shield	4					
120	F.P.	37.8	141	123	Stadium Group	137					
115	F.P.	17.2	136	126	†Systs Integ Rsch	128					
135	F.P.	48.1	183	152	Triad Group	183					

† Alternative Investment Market. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

	Apr 2	% chg on day	Apr 1	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (36)	2316.64	-0.3	2322.52	1928.82	1.41	-	2620.73	1722.93
■ Regional Indices								
Africa (13)	3077.99	-0.5	3093.89	2728.86	2.72	34.96	3553.86	2272.74
Australasia (9)	2700.89	-0.7	2720.74	2112.78	2.37	29.35	2927.34	2098.51
North America (12)	2044.48	-0.1	2047.27	1875.16	0.56	86.02	2186.38	1486.94

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FT-SE Actuaries Share Indices — The UK Series

	Apr 3	Day's chge%	Apr 2	Apr 1	Mar 29	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3725.1	-0.1	3728.5	3718.4	3699.7	3190.2	3.90	2.12	14.82	58.25	1512.69
FT-SE Mid 250	4359.9	+0.3	4348.7	4326.9	4326.7	3469.3	3.41	1.71	21.45	57.34	1737.42
FT-SE Mid 250 ex Inv Trusts	4390.1	+0.3	4376.6	4354.1	4353.8	3477.8	3.52	1.78	20.22	61.04	1751.58
FT-SE-A 350	1877.0	—	1877.2	1871.2	1863.8	1581.9	3.85	2.04	15.92	28.71	1557.72
FT-SE-A 350 Higher Yield	1823.1	-0.1	1824.2	1816.7	1814.7	1585.3	5.08	1.50	12.98	38.33	1264.25
FT-SE-A 350 Lower Yield	1938.3	—	1937.7	1933.1	1920.4	1568.4	2.71	2.29	20.17	21.34	1330.86
FT-SE SmallCap	2102.12	+0.2	2098.77	2096.30	2095.45	1727.05	3.06	1.78	22.94	15.35	1712.16
FT-SE SmallCap ex Inv Trusts	2085.73	+0.2	2081.50	2079.04	2078.94	1704.20	3.27	1.86	20.51	16.20	1707.98
FT-SE-A ALL-SHARE	1855.89	—	1855.90	1850.22	1843.44	1560.78	3.79	2.02	16.30	27.24	1564.06

■ FT-SE Actuaries All-Share

	Apr 3	Day's chge%	Apr 2	Apr 1	Mar 29	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(24)	3389.80	+0.5	3373.40	3374.69	3401.72	2795.26	3.85	1.74	18.73	82.80	1453.59
12 Extractive Industries(6)	4258.81	+0.1	4253.73	4295.12	4278.73	3697.84	3.79	2.36	13.90	100.38	1250.66
15 Oil, Integrated(3)	3424.55	+0.5	3405.88	3400.89	3438.40	2724.18	4.04	1.64	18.91	62.45	1504.81
16 Oil Exploration & Prod(15)	2436.84	+0.6	2423.50	2423.91	2428.16	1984.04	2.12	1.48	39.71	29.26	1464.29
20 GEN INDUSTRIALS(277)	2093.89	-0.2	2097.80	2092.62	2084.43	1876.27	4.02	1.85	18.78	22.99	1138.84
21 Building & Construction(34)	1140.14	+0.3	1136.62	1132.21	1133.92	976.49	3.67	1.96	17.88	11.77	949.28
22 Building Matls & Merchs(29)	1059.44	+0.3	1054.03	1038.14	1025.25	1762.86	4.06	1.86	16.77	8.52	927.10
23 Chemicals(25)	2511.15	-0.9	2534.75	2541.16	2544.85	2247.18	3.94	1.95	16.30	35.15	1165.75
24 Diversified Industrials(20)	1774.64	-0.3	1780.46	1789.56	1777.11	1837.12	5.73	1.51	14.48	30.54	991.45
25 Electronic & Elect Equip(38)	2413.42	+1.2	2385.60	2360.99	2385.22	1982.36	3.00	1.72	24.30	6.36	1241.00
26 Engineering(71)	2418.81	-0.5	2431.19	2417.01	2396.03	1819.94	3.16	2.43	16.33	19.03	1459.54
27 Engineering, Vehicles(13)	2813.14	-1.6	2858.84	2851.58	2836.05	2226.27	3.64	1.92	17.88	25.81	1499.19
28 Paper, Pckg & Printing(26)	2757.49	—	2758.76	2757.43	2768.73	2823.12	3.71	1.97	17.12	35.97	1146.10
29 Textiles & Apparel(19)	1482.79	-0.3	1487.11	1489.95	1497.78	1559.18	4.74	1.64	16.11	7.87	894.03
30 CONSUMER GOODS(90)	3451.71	-0.4	3464.83	3440.38	3452.20	3010.20	4.04	1.84	16.86	51.30	1274.74
32 Alcoholic Beverages(6)	2733.67	-1.1	2762.84	2759.07	2763.86	2723.24	4.84	1.60	17.18	57.34	987.28
33 Food Producers(23)	2464.02	+0.1	2462.76	2490.71	2506.79	2432.04	4.10	1.83	16.42	23.31	1111.80
34 Household Goods(15)	2565.65	-0.2	2569.56	2572.25	2567.26	2483.41	3.87	2.40	13.44	51.26	892.02
36 Health Care(20)	1931.89	-0.2	1936.19	1936.28	1939.09	1697.93	2.74	1.80	25.39	9.69	1165.70
37 Pharmaceuticals(12)	4915.30	-0.1	4922.52	4884.87	4869.79	3767.56	3.43	1.85	19.76	61.77	1689.51
38 Tobacco(1)	4129.55	-1.2	4180.30	4040.61	4095.67	3732.55	6.15	2.00	10.17	156.18	1037.31
40 SERVICES(253)	2419.11	+0.3	2411.98	2402.45	2387.95	1941.11	2.90	2.08	20.75	24.65	1252.95
41 Distributors(32)	2748.27	-0.3	2756.82	2735.05	2716.88	2351.77	3.13	1.94	20.82	27.48	1010.66
42 Leisure & Hotels(23)	3051.30	-0.9	3077.48	3027.55	3000.99	2184.73	2.74	2.16	21.06	139.72	1642.17
43 Media(46)	4103.48	+0.6	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
44 Retailers, Food(16)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
45 Retailers, General(43)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
47 Breweries, Pubs & Rest.(24)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
48 Support Services(48)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
49 Transport(21)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
60 UTILITIES(33)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
62 Electricity(12)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
64 Gas Distribution(2)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
66 Telecommunications(7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
68 Water(12)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
69 NON-FINANCIALS(687)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
70 FINANCIALS(109)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
71 Banks, Retail(9)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
72 Banks, Merchant(6)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
73 Insurance(23)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
74 Life Assurance(6)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
77 Other Financial(22)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
79 Property(41)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
80 INVESTMENT TRUSTS(126)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
89 FT-SE-A ALL-SHARE(922)	1855.89	—	1855.90	1850.22	1843.44	1560.78	3.79	2.02	16.30	27.24	1564.06
FT-SE-A Fledgling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE-A Fledgling ex Inv Trusts	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE Mid 250	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE-A 350	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Time of FT-SE 100 Day's high: [illegible]

■ FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Pharmaceuticals	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Water	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Banks, Retail	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. "The FT-SE Actuaries Share Indices are calculated by FT-SE International Limited in conjunction with the Faculty of Actuaries and the Institute of Actuaries. © FT-SE International Limited 1996. All Rights reserved. The FT-SE Actuaries Share Indices are calculated in accordance with a standard set of ground rules established by FT-SE International Limited in conjunction with the Faculty of Actuaries and the Institute of Actuaries. "FT-SE" and "Footsie" are trademarks of the London Stock Exchange and the Financial Times Limited and are used by FT-SE International Limited under licence. Auditor: The WM Company." † Sector P/E ratios greater than 80 are not shown. ‡ Values are negative. DELETION: MAI (43) & (Mid 250). Trade Indemnity (73) & (SmallCap) and Wetherspoon (JD) (Mid 250).

TRADING VOLUME

■ Major Stocks Yesterday

Stock	Vol. 000s	Closing price	Day's change
[illegible]	[illegible]	[illegible]	[illegible]

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. ‡ Indicates an FT-SE 100 index constituent. All trades are recorded. Source: FT Extel.

هكذا من الاصل

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Apr 3 / Sch)

BELGIUM/LUXEMBOURG (Apr 3 / Frs.)

CZECH REP (Apr 3 / Korun)

DENMARK (Apr 3 / Kr)

FINLAND (Apr 3 / Mka)

FRANCE (Apr 3 / Frs.)

GERMANY (Apr 3 / Dm.)

GREECE (Apr 3 / Drachma)

ITALY (Apr 3 / Lire)

NETHERLANDS (Apr 3 / Fls.)

NORWAY (Apr 3 / Kroner)

POLAND (Apr 3 / Zloty)

PORTUGAL (Apr 3 / Escudo)

SPAIN (Apr 3 / Pts.)

SWEDEN (Apr 3 / Kronor)

SWITZERLAND (Apr 3 / Frs.)

TURKEY (Apr 3 / Tk Lira)

PACIFIC

JAPAN (Apr 3 / Yen)

HONG KONG (Apr 3 / H.K.$)

INDONESIA (Apr 3 / Rupiah)

MALAYSIA (Apr 3 / MYR)

NEW ZEALAND (Apr 3 / NZ $)

SINGAPORE (Apr 3 / S$)

AUSTRALIA (Apr 3 / Aust$)

SOUTH KOREA (Apr 3 / Won)

TAIWAN (Apr 2 / T$)

THAILAND (Apr 3 / Baht)

MONTREAL (Apr 3 / Can $)

3:15 pm

AFRICA

SOUTH AFRICA (Apr 3 / Rand)

INDICES

US INDICES

NYSE Comp.	351.80	350.04	346.92	351.70 (13/2)	321.41 (10/1)	351.70 (13/2/96)	4.46 (25/4/42)
Amex Mkt Val	572.65	572.44	571.38	572.65 (2/4)	529.05 (18/1)	572.65 (2/4/96)	29.31 (9/12/72)
NASDAQ Comp	1111.29	1108.57	1101.40	1117.79 (29/3)	988.57 (15/1)	1117.79 (29/3/96)	54.87 (31/10/72)

■ RATIOS

	Mar 29	Mar 22	Mar 15	Year ago
Dow Jones Ind. Div. Yield	2.15	2.13	2.15	2.64
	Mar 27	Mar 20	Mar 13	Year ago
S & P Ind. Div. yield	1.87	1.87	1.85	2.27
S & P Ind. P/E ratio	21.21	21.26	21.01	16.05

■ NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Change on day
Nokia Corp	8,434,200	33⅜	-1
Pacific Tele	7,769,300	34⅛	+⅛
Ford Motor	5,973,700	35⅝	+⅝
IBM	5,400,800	117⅞	7⅛
Bay Networks	5,297,600	28⅝	-1⅛
Columbia	5,274,400	54	-2⅝
Bally Ent	4,708,800	21⅝	+3⅝
General Mills	4,630,300	54⅝	-2⅝
Edison Intl	3,886,200	16⅝	-⅛
Frontier	3,702,600	30	-1⅛

■ TRADING ACTIVITY

■ Volume (million)

	Apr 2	Apr 1	Mar 29
New York SE	398.982	390.237	418.882
Amex	19.349	18.292	32.014
NASDAQ	503.499	478.066	526.729
NYSE			
Issues Traded	3,120	3,100	3,114
Rises	1,259	1,457	1,289
Falls	1,085	900	1,053
Unchanged	776	743	772
New Highs	159	107	144
New Lows	18	19	25

■ S&P 500

	Open	Latest	Change	High	Low	Est. vol.	Open Int.
Jun	658.75	655.70	-2.90	659.00	655.70	49,568	172,609
Sep	662.60	661.45	-2.80	662.60	661.45	360	4,572

■ Nikkei 225

	Open	Sett price	Change	High	Low	Est. vol.	Open Int.
Jun	21750.0	21510.0	-140.0	21830.0	21410.0	25,180	257,993
Sep	21780.0	21500.0	-180.0	21800.0	21500.0	18	12,984

Open interest figures for previous day.

NORTH AMERICA

CANADA

TORONTO (Apr 3 / Can $)

3:15 pm

Prices supplied by Telekurs

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are based on data from Jan 1 1996. # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Prices in US $.

FT FREE ANNUAL REPORTS SERVICE

■ TOKYO – MOST ACTIVE STOCKS: Wednesday, April 3, 1996

	Stocks Traded	Closing Prices	Change on day
Miyoshi Oil & Fat	10.3m	645	+100
Shinko Electric	9.3m	[illegible]	-10
Navix Line	7.8m	346	+15
Kanto Spl Steel	7.8m	782	+52
Pacific Metals	6.6m	759	-12
Nippon Stl Chem	[illegible]	755	+96
Nippon Stl Corp	5.9m	[illegible]	-4
Mitsubishi Hvy	5.7m	921	-5
Japan Energy	5.3m	381	+2
NKK Corp	5.2m	311	-3

3:15 pm April 3

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1996 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
22½	19½	AAR	0.48	2.4	22	350	20⅛	20	20¼	-⅛
44⅛	36⅞	AMP	1.00	2.4	21	3560	41⅞	40⅞	41⅛	+⅛
93⅞	68	AMR			36	6070	91	89	90	+½
50½	37½	ASA	2.00	4.3	30	765	46⅞	46½	46⅛	+¼
44⅛	38⅛	Abbotl.	0.96	2.3	19	6696	41⅞	41½	41¾	
17⅛	13⅞	Abitibi Pr	0.40	2.9	7	387	13⅞	13¼	13⅞	
34⅞	27	ABM Ind	0.70	2.0	18	56	u34⅞	33⅞	34⅞	+1⅛
15½	13⅞	Acptncefn			55	288	u15½	15⅜	15½	+⅛
50⅜	37¾	ACE Ltd	0.56	1.2	11	3420	45⅞	44½	45⅞	+⅛
9⅞	9⅛	ACM Gvt In	0.90	9.2	0	140	9¾	9⅝	9¾	+⅛
7⅞	7⅛	ACM GvOpp	0.66	8.9		33	7⅜	7¼	7⅜	
7⅛	6½	ACM Gvt Sp	0.75	11.1		170	6¾	6¾	6¾	-⅛
9⅞	8¼	ACM Gvt Se	0.90	10.3		291	8⅞	8¾	8¾	
9½	8⅞	ACM Man	0.90	9.5		122	d9½	9⅜	9½	+⅛
31⅛	17⅛	AcmeClv	0.52	1.7	7	214	30⅞	30¾	30⅞	+¼
9¼	6⅛	Acme Elect			53	3	6½	6⅜	6⅜	
31⅞	27¾	Acordia	0.72	2.3	17	58	31⅜	31⅜	31⅜	
15⅞	12	Acuson			46	586	15	14¾	14¾	-⅛
19½	18⅞	Adams Expr	0.36	1.9	0	62	19⅛	19	19⅛	
21½	16⅜	AdvMic			6	3800	17⅞	17⅜	17½	-⅛
10¼	6½	Advest Grp	0.16	1.6	10	51	u10¼	10	10¼	+⅛
26⅞	9⅛	Advo Inc	0.10	1.1	0	1731	9⅛	9¼	9⅛	
48¾	41⅛	Aegon	1.20	2.6	15	38	46⅞	46	46⅛	-⅛
5½	3½	Aeroflx			8	60	4⅜	4⅜	4⅜	
79¾	66⅜	AetnaL	2.76	3.8	34	7713	72½	71¾	72⅝	+⅜
33	28¾	Aflac	0.35	1.1	13	668	32½	31¾	32	-⅛
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1996 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
7⅞	7	BelnsProp	0.48	6.2	29	5	u7⅞	7⅞	7⅞	
74⅞	61¼	BellAtl	2.88	4.6	14	4200	63⅜	62⅞	62½	-1
23¼	20¼	Bell In	0.48	1.8	10	123	22⅛	21⅞	22⅛	+½
45⅜	38⅛	BellSth	1.44	3.8	24	7515	38½	37¾	38	-½
37⅞	31	Belo A	0.44	1.3	10	424	33¼	33	33	
33½	25⅝	Bemis	0.72	2.3	19	387	31⅞	31½	31⅞	
67	63½	Benef 4.3P	4.30	6.7		3	64½	64	64	
59	43⅝	Benef	1.86	3.2	21	1004	58	57¼	57⅜	-⅛
24⅝	20¾	Benetton A	0.31	1.3	14	14	23¾	23¼	23⅝	+⅜
⅞	13/16	Benguet B	0.04	5.8	06	37	13/16	13/16	13/16	
27½	24⅛	BergBr	0.48	1.8	18	479	27⅛	27	27⅛	
38000	29800	BerkH			81	2	34200	34200	34200	+300
11⅞	8⅛	Berry Petr	0.40	3.5	30	297	u11⅛	11	11⅜	+⅛
19¼	12	Best Buy			12	591	17	16¾	16⅞	+⅛
28⅛	26½	Beth St 2	2.50	9.2		22	27⅜	27⅛	27⅛	-⅛
54¾	51⅝	Bethlhm Pf	5.00	9.4		15	53⅛	53	53⅛	
15⅞	13⅛	BethSt	0.40	2.9	10	6779	13¾	13½	13⅝	+⅛
47¼	40⅛	Betz L	1.48	3.1	18	706	47	46¾	47	
12⅞	10¼	BevEnt			15	1588	11¼	11	11⅛	-⅛
20⅝	12¾	Biocraft	0.10	0.5	61	310	19¼	18⅞	19⅛	+⅜
18	14½	Birmingm S	0.40	2.7	12	406	14¾	d14½	14¾	
39	30¾	BlDeck	0.40	1.1	21	1076	37⅞	37¼	37⅞	
28¼	23¼	Black H PL	1.34	5.5	14	27	24½	24⅜	24½	+⅛
9⅛	8¼	BlckrckAdv	0.62	7.5		32	8⅛	d8¼	8⅜	+⅛
6⅝	6	Blckrcklnc	0.56	9.4		1179	6¼	d6	6	-⅛
9	8½	BlckrckTgt	0.57	6.8		252	8⅜	d8½	8½	
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3:15 pm April 3

NYSE COMPOSITE PRICES

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AMEX COMPOSITE PRICES

3:15 pm April 3

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NASDAQ NATIONAL MARKET

3:15 pm April 3

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AMERICA

Hesitant Dow awaits employment figures

Wall Street

US shares were almost unchanged in midday trading as investors tried to prepare for news on March employment figures set to be released tomorrow when the equity market is closed, *writes Lisa Bransten in New York.*

By noon the Dow Jones Industrial Average was off 3.97 at 5,667.71 and the Standard & Poor's 500 had fallen 1.37 to 653.69. The American Stock Exchange composite added 1.67 at 574.32 and the Nasdaq composite edged ahead 1.92 to 1,113.21. Volume on the New York SE came to 177m shares.

Trading was choppy as investors attempted to position themselves for the critical employment figures which come out while the market is closed for Easter. The jobs figures were seen as especially important because they should signal whether the strong February numbers were a one-time jump in job creation or a genuine shift in the pace of the US economy.

The bond market exerted a negative pull on equities as it gave back some of the gain made since late last week.

ITT relinquished $1 of the $1½ the stock had risen on Tuesday amid speculation that it was in talks to acquire Bally Entertainment, bringing the share price back to $61⅝.

Meanwhile, shares in Bally continued to rise on press reports of the negotiations. In early trading Bally shares added $¼ to the $3¾ they had jumped on Tuesday, bringing the stock to $22⅛.

Lycos, the Internet search company that floated on the Nasdaq stock market on Tuesday, fell back $1⅞ to $20½ after a strong first day of trading. In its first day the shares ended at $21⅞, below their opening level for the day but $5⅞ above the offering price.

Other Internet-related companies turned in a mixed performance, with Netscape Communications rising $⅞ to $44 while Spyglass fell $½ to $21. The Interactive Week index of Internet companies added 0.2 per cent.

Shares in Philip Morris moved forward $1⅛ to $92 on hopes that judges in a key court case, in which hearings were held on Tuesday, might side with the tobacco companies. Shares in the tobacco giant have dropped more than 10 per cent since one of the defendants in the case, Liggett Group, agreed to settle its part of the litigation.

Canada

Toronto overcame early weakness to trade flat in late morning dealings, and by 11am the TSE 300 composite index was just 0.30 higher at 5,025.05 in heavy volume of 45.8m shares.

Shares in Diamond Fields Resources were still not trading at mid-morning after a delayed opening, pending an announcement, along with shares and instalment receipts of its suitors, Falconbridge and Inco.

Biomira, the biotechnology company, put on C$¾ at C$8 in response to news that the US Food and Drug Administration would shorten its cancer treatment approval period.

Cyclical stocks and junior and senior gold issues were heavily traded.

Barrick Gold was standing C$¼ firmer at C$42¾.

SOUTH AFRICA

Equities were weaker, led by a fall in industrials as the rand declined to a record low. Dealers said gold shares, however, were supported by the weakness in the currency, while industrial companies were hurt by further worries that earnings growth was slowing more significantly than had been expected.

The overall index lost 9.6 at 6,689.4, industrials slid 60.8 to 8,202.9 and golds gave up 5.7 at 1,740.5.

De Beers went against the trend with an advance of R2.25 to R124.50. Engen dropped R3.50 to R25.25 on the company's forecast of lower second-half earnings.

Mexico led higher by Televisa

Mexico City made a good gain in early trade boosted by activity in Televisa shares. The interest in that stock was led by the news that the media group was seeking to review its 40.5 per cent ownership in the satellite service provider PanAmSat. The IPC index was up 6.83 at 3,084.30 by midsession.

Televisa's CPOs had risen 6.4 per cent in the domestic exchange, while its ADRs had gained $1⅛ in New York. Heavily weighted Telmex L shares advanced 0.2 per cent.

Volume was moderate with 25.2m shares traded, of which almost half were in the retail company Liverpol, which was down 1.5 per cent.

SAO PAULO found little enthusiasm in early trade and by midday the Bovespa index was off 347.14 at 49,509.

● For the first time since November 1995, the São Paulo stock exchange registered net foreign capital outflows of R$66.7m for the month of March. Capital flight slowed by the end of the month as concerns over the future of the constitutional reforms following the threat of a parliamentary banking inquiry eased. In the first eight days of March the capital ouflows had totalled R$115m.

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

Market	No. of stocks	Dollar terms: Mar. 29 1996	% Change over week	% Change on Dec '95	Local currency terms: Mar. 29 1996	% Change over week	% Change on Dec '95
Latin America	(247)	494.06	-0.6	+4.7			
Argentina	(31)	806.32	-1.1	+0.7	494,598.48	-1.2	+0.6
Brazil	(68)	334.88	-1.7	+9.7	1,237.43	-1.6	+11.5
Chile	(43)	682.93	-1.3	-8.8	1,126.08	-1.3	-7.7
Colombia	(15)	583.69	+0.6	-2.6	1,079.46	+0.4	+2.9
Mexico	(65)	506.36	+1.0	+11.7	1,645.94	+0.8	+9.3
Peru	(20)	201.24	+1.2	+2.0	289.54	+1.3	+4.2
Venezuela	(5)	379.46	+0.5	+13.5	4,513.40	+0.7	+72.9
Asia	(631)	254.32	+0.2	+9.5			
China	(23)	59.95	-2.3	+10.8	63.06	-2.3	+11.0
South Korea	(145)	122.63	-0.4	-2.6	126.09	-0.6	-1.8
Philippines	(35)	272.40	-1.8	+5.0	344.52	-1.9	+4.6
Taiwan, China	(83)	111.20	-1.0	-1.4	113.66	-1.1	-1.5
India	(76)	92.03	+4.2	+14.5	111.45	+2.8	+11.0
Indonesia	(44)	120.60	-0.6	+10.0	163.19	-0.6	+12.4
Malaysia	(123)	313.96	+1.0	+15.8	293.02	+0.4	+15.3
Pakistan	(25)	261.46	+2.5	+7.8	411.02	+2.5	+9.0
Sri Lanka	(5)	122.24	-0.8	+17.5	143.18	-0.8	+18.4
Thailand	(72)	373.86	-1.9	-0.5	374.54	-2.0	-0.4
Euro/Mid East	(238)	151.54	-0.8	+6.4			
Greece	(47)	262.66	+0.9	+8.7	428.48	+0.7	+10.7
Hungary	(8)	145.81	+1.3	+48.2	251.62	+1.4	+55.5
Jordan	(8)	179.95	-0.1	-2.6	268.63	-0.1	-2.5
Poland	(22)	605.21	-0.2	+42.0	984.00	-0.1	+48.6
Portugal	(26)	125.41	+0.7	+8.3	131.52	+0.8	+10.6
South Africa	(63)	254.21	-0.9	-1.5	208.82	+0.5	+7.5
Turkey	(54)	156.26	-0.6	+49.5	5,202.89	+0.2	+74.1
Zimbabwe	(5)	330.04	+0.6	+20.2	471.46	+1.7	+25.0
Composite	(1116)	295.30	+0.2	+7.1			

Prices are calculated at end-week, the weekly changes are percentage movement from the previous Friday. Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 3 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 6 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10)Dec 31 1992; (11)Dec 31 1993; (12)Dec 31 1992; (13)Dec 31 1992; (14)Aug 2 1993; (15)July 2 1993

Emerging markets investment should focus on the fundamentals, say the strategists at UBS in London, Mr Guy Rigden and Mr Vikas Nath, writes John Pitt. In their latest strategic document the team suggests that although the world's emerging markets have strengthened over the last quarter, "relative multiples are still at about the same levels, given the strong earnings growth in most markets, and compare well against the developed markets". Accordingly, the strategists at UBS maintain that emerging markets will begin to reassert their independence and should be less prone to being knocked off course by the variables of global interest rate movements.

"Ideally, we recommend markets that have strong earnings growth with the capacity to surprise on the upside, the potential to independently lower interest rates, and have good valuations. Two markets fit these criteria: Turkey and Korea."

In addition UBS overweights India, in spite of earnings risk, and Brazil, where they think an improvement in politics "will beget structural economic improvement".

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FT-SE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FT-SE International and Goldman Sachs in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the Indices.

NATIONAL AND REGIONAL MARKETS (Figures in parentheses show number of lines of stock)	Tue Apr 2 1996: US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	Mon Apr 1 1996: US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Dollar Index: 52 week High	52 week Low	Year ago (approx)
Australia (81)	200.53	-0.2	195.03	136.13	154.48	170.39	0.3	4.08	200.88	196.23	136.52	164.88	169.90	202.74	160.91	161.62
Austria (24)	183.08	0.2	178.06	124.29	141.04	140.88	0.1	1.84	182.63	177.51	124.13	140.82	140.66	199.29	166.11	166.76
Belgium (34)	209.91	0.9	204.16	142.50	161.71	157.59	0.7	4.11	208.12	202.29	141.45	160.46	156.44	215.81	162.59	182.59
Brazil (28)	154.85	-0.6	150.60	105.12	119.29	281.38	-0.6	1.56	155.70	151.34	105.83	120.06	280.07	170.25	108.08	111.80
Canada (100)	159.23	0.6	154.87	108.10	122.67	156.31	0.7	2.41	158.22	153.79	107.54	122.00	155.26	159.23	132.37	134.04
Denmark (30)	296.78	-0.3	288.64	201.47	228.63	230.85	-0.4	1.93	297.71	289.37	202.35	229.56	231.77	305.17	255.18	260.38
Finland (24)	178.32	-1.0	173.43	121.05	137.37	173.37	-0.9	2.84	180.11	175.07	122.42	138.88	174.97	276.11	171.73	176.42
France (98)	196.16	0.6	190.78	133.17	151.12	155.37	0.6	3.02	195.02	189.56	132.55	150.38	154.48	198.16	167.70	181.66
Germany (60)	173.73	0.6	168.97	117.94	133.84	133.84	0.5	1.95	172.65	167.81	117.35	133.13	133.13	174.38	148.74	146.74
Hong Kong (59)	437.91	1.9	425.90	297.28	337.35	434.79	1.8	3.24	429.97	417.92	292.24	331.55	426.95	451.19	323.87	347.07
Ireland (16)	266.47	0.1	259.16	180.90	205.28	238.88	0.1	3.39	266.29	258.83	180.99	205.34	238.56	266.47	215.23	217.94
Italy (59)	72.82	1.2	70.83	49.44	56.10	85.08	0.9	2.15	71.97	69.96	48.92	55.50	84.34	82.71	67.09	68.65
Japan (481)	154.68	0.1	150.44	105.00	119.16	105.00	-0.1	0.72	154.57	150.24	105.06	119.19	105.06	164.82	137.76	162.27
Malaysia (107)	554.61	0.3	539.40	376.50	427.26	539.83	0.1	1.61	553.01	537.51	375.87	426.42	539.08	561.98	423.77	487.75
Mexico (18)	1208.20	-1.1	1175.07	820.20	930.76	9933.82	-1.1	1.40	1221.39	1187.16	830.15	941.80	10042.21	1207.14	791.99	854.72
Netherlands (19)	289.72	0.5	281.78	196.34	222.80	218.75	0.4	3.20	287.68	279.62	195.53	221.83	217.89	288.22	235.05	238.80
New Zealand (15)	82.15	-0.6	79.89	55.78	63.28	63.71	-0.3	4.32	82.65	80.33	56.17	63.73	63.92	85.49	75.69	75.69
Norway (33)	238.84	1.1	232.29	162.14	183.99	208.18	0.8	2.39	236.19	229.57	160.53	182.12	206.57	243.79	209.88	209.88
Singapore (44)	435.13	-0.1	423.20	295.39	335.21	281.79	-0.2	1.41	435.51	423.31	296.01	335.82	282.32	465.21	355.81	363.66
South Africa (45)	379.10	-0.4	368.70	257.35	292.04	332.25	-0.2	2.54	380.74	370.07	258.78	293.59	333.08	437.76	338.91	340.17
Spain (37)	172.10	0.5	167.37	116.83	132.58	162.43	0.4	3.38	171.29	166.49	116.42	132.08	161.76	175.88	129.50	130.04
Sweden (46)	339.06	-0.5	329.76	230.18	261.20	334.75	-0.4	2.48	340.73	331.19	231.58	262.74	336.01	352.28	234.03	234.03
Switzerland (38)	250.31	0.2	243.44	169.92	192.83	185.16	0.0	1.54	249.81	242.81	169.79	192.63	186.15	252.34	181.68	183.93
Thailand (46)	183.97	2.8	178.93	124.89	141.73	180.29	2.5	1.82	179.37	174.34	121.91	138.31	175.86	199.95	134.59	141.48
United Kingdom (206)	230.40	0.3	224.08	156.41	177.50	224.08	0.3	4.08	229.81	223.37	156.19	177.20	223.37	235.50	205.83	207.16
USA (631)	267.22	0.2	259.89	181.40	205.86	267.22	0.2	2.17	266.80	259.32	181.34	205.72	266.80	269.11	204.49	204.49
Americas (777)	243.89	0.2	237.20	165.57	187.89	204.95	0.2	2.16	243.51	236.69	165.51	187.77	204.63	245.54	187.12	187.12
Europe (724)	208.14	0.4	202.43	141.30	160.34	180.41	0.3	3.05	207.34	201.53	140.93	159.88	179.80	208.14	177.76	178.36
Nordic (133)	290.16	-0.3	282.21	196.98	223.53	250.52	-0.3	2.42	291.18	283.02	197.91	224.52	251.33	297.48	226.06	226.06
Pacific Basin (833)	167.97	0.2	163.37	114.03	129.40	116.61	0.1	1.15	167.63	162.94	113.94	129.26	116.47	171.87	148.88	160.22
Euro-Pacific (1557)	184.60	0.3	179.54	125.32	142.21	140.84	0.2	2.04	184.07	178.92	125.11	141.94	140.52	184.60	163.92	167.88
North America (731)	260.63	0.2	253.39	176.97	200.71	259.79	0.2	2.17	260.08	252.79	176.77	200.56	259.33	262.26	200.12	200.12
Europe Ex. UK (519)	190.74	0.5	185.51	129.48	146.94	154.94	0.3	2.48	189.88	184.56	129.06	146.42	154.40	190.74	158.83	159.12
Pacific Ex. Japan (352)	291.17	0.8	283.18	197.68	224.31	252.41	0.6	2.95	288.96	280.86	196.41	222.83	250.30	293.58	235.64	239.02
World Ex. US (1748)	185.85	0.3	180.75	126.16	143.17	145.03	0.2	2.05	185.35	180.15	125.98	142.92	144.72	185.85	164.41	167.97
World Ex. UK (2174)	208.92	0.2	203.19	141.83	160.95	175.73	0.2	1.91	208.47	202.63	141.69	160.75	175.42	208.92	173.77	175.13
World Ex. Japan (1898)	242.04	0.3	235.40	164.31	186.46	228.17	0.3	2.52	241.40	234.63	164.07	186.14	227.58	242.17	194.54	194.76
The World Index (2379)	210.88	0.2	205.10	143.16	162.45	180.21	0.2	2.10	210.42	204.52	143.02	162.25	179.87	210.88	176.58	178.85

CONSTITUENT CHANGE WITH EFFECT 4/4/96 Deletion: MAI (UK). Latest prices were unavailable for this edition.

EUROPE

Surprise rate cut gives boost to Madrid

A surprise trimming of the intervention rate lifted **MADRID**'s spirits, although analysts pointed to the fact that the Bank of Spain had been active in the currency markets during the last two weeks to defend the peseta.

There was also a view that the government had decided to act by lowering the rate from 8.25 per cent to 7.75 per cent in recognition of the slowdown in economic growth and, said analysts, a rate cut had in any case been expected by the end of the month.

The Ibex 35 index rose 14.87 to 3,894.78 and the general index added 1.44 at 345.00 in turnover of Pta43.7bn. The market lost steam in common with its neighbours during the post-lunch period.

AMSTERDAM was beset with profit-taking as Easter approached and investors decided to take cash.

Even KPN moved on the downside, losing 60 cents to Fl 65.80, in spite of reporting a good set of 1995 results and saying that it intended to look for acquisitions in order to achieve growth.

The AEX index shed 3.14 to 534.35, with the bulk of the decline occurring during the afternoon session.

PARIS consolidated following recent hefty gains and the CAC-40 index closed with a modest drop of 6.41 to 2,064.00.

There was a movement against the trend in Canal Plus, up FFr44 at FFr1,196, following the news that CLT and Bertelsmann are to merge their television interests.

Eridania Beghin-Say made another FFr21 to FFr905 but remained impassive on reports that Montedison, of Italy, might sell its 50.4 per cent stake to a consortium of French banks.

FRANKFURT failed to come alive, with many investors finding it difficult to concentrate ahead of the long weekend holiday. The Dax index eased 6.62 to 2,494.40 in floor trade, and then slipped to 2,489.98 in the Ibis.

Daimler-Benz, off DM2 at DM796, and then to DM794.60 in the Ibis, did not surprise the market with its expected announcement that it would omit the 1995 dividend.

Elsewhere in the sector, Volkswagen fell DM2.50 to DM522.50, then to DM520.50, and BMW was off DM2.50 at DM783.50, before settling at an Ibis DM782.50.

ZURICH put in a weak performance, with many investors unwilling to open new positions ahead of the holiday weekend and with lower US treasuries and an easier dollar adding to the losses. The SMI index fell 41.6 to 3,606.7.

FT-SE Actuaries Share Indices — THE EUROPEAN SERIES

Apr 3 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1631.70	1631.36	1632.20	1631.19	1631.37	1627.99	1625.95	1625.49
FT-SE Eurotrack 200	1689.06	1689.28	1689.83	1688.94	1689.62	1687.29	1685.73	1685.73

	Apr 2	Apr 1	Mar 29	Mar 28	Mar 27
FT-SE Eurotrack 100	1630.28	1626.48	1620.03	1615.40	1626.36
FT-SE Eurotrack 200	1689.81	1688.82	1679.78	1669.56	1680.39

Base value 1000 (26/10/90) High/day: 100 - 1632.55 200 - 1690.00 Low/day: 100 - 1625.18 200 - 1684.57 † Partial

The chemicals sector was marked sharply lower on profit-taking after its recent strong run. Roche certificates relinquished SFr180 to SFr9,755, as the SFr10,000 level proved too high a hurdle.

Swissair, which has surged forward in recent months, moved up SFr2 to SFr1,235 before announcing 1995 results that showed a group net loss of SFr147m.

BRUSSELS ran into strong resistance as the 1,700 level was breached on the Bel-20 index and the market subsequently turned back, leaving the index to close 3.03 weaker at 1,694.17.

Against the trend, Audiofina, the holding company, rushed BFr145 or 10.4 per cent higher to BFr1,545 on news that its Luxembourg broadcaster CLT is to merge with Bertelsmann's radio and television businesses.

GBL advanced BFr90 to BFr4,115 and Electrafina was up BFr100 to BFr2,995: both hold large stakes in Audiofina.

Solvay added BFr125 at BFr17,800 as the market welcomed news that the company was lifting its dividend.

MILAN was weak, with the clouded political outlook remaining a disincentive. The Comit index registered a gain of 0.98 at 584.91, but the real-time Mibtel index finished 26 down at 9,315.

Mondadori, the publisher, was a heavy loser, surrendering L783 at L12,067, although analysts were unable to explain the drop.

Benetton fell L116 to L18,122 and Generali lost L322 to L35,060, close to L35,000 which is considered an important technical floor for the stock.

The troubled Banco di Napoli, up sharply on Monday after the shares returned to trade following last week's suspension, shed L30 to L650.

Fiat continued to edge ahead, adding L28 at L5,095.

STOCKHOLM was again led lower by a decline in Ericsson after Tuesday's sell-off, and further pressured by falls in Astra and Scania. The Affärsvärlden general index slipped 9.4 to 1,866.4.

Ericsson was off SKr3 at SKr132.50 after Tuesday's sharp fall which followed a television report suggesting the telecom group's first-quarter earnings would decline.

COPENHAGEN inched higher on bank stocks and Carlsberg and the KFX index closed 0.54 ahead at 111.33.

Carlsberg B was up DKr2 at DKr234 on reports that it was in talks with Bass, of the UK, to exchange its 50 per cent stake in Carlsberg-Tetley for Bass shares. The company refused to comment. Among the banks, Danske Bank rose DKr6 to DKr369 and Unidanmark was up DKr5 at DKr263.

VIENNA saw a 4 per cent fall in the building materials company Wienerberger, off Sch85 at Sch2,040, as the ATX eased 2.68 to 1,060.26.

Dealers said Wienerberger's fall over the past two sessions – it has lost a total of Sch135 – was being attributed to the long winter which could delay the start of new building work by up to two months.

Written and edited by Michael Morgan and John Pitt

ASIA PACIFIC

Interest rate worries leave Nikkei in retreat

Tokyo

Anxiety over a possible rise in interest rates and speculation over the collapse of another small regional bank prompted selling and the Nikkei average closed 0.6 per cent down, *writes Emiko Terazono in Tokyo.*

The 225-share index lost 135.36 at 21,464.73 after touching 21,349.68 and 21,754.52. Comments by Mr Yasuo Matsushita, governor of the Bank of Japan, were seen as suggesting that a rise in interest rates was imminent, which triggered a sell-off in the stock and bond markets. The downbeat mood was compounded by rumours that Tokuyo City Bank, a regional bank in northern Japan, faced financial problems. The Ministry of Finance later denied the speculation.

Volume was 630m shares, against 497.7m. Brokers liquidated positions which in turn triggered selling by domestic corporate investors. The Topix index of all first section stocks shed 4.43 to 1,645.59 and the Nikkei 300 dipped 1.34 to 306.46. Declines led advances by 565 to 524, with 140 issues unchanged.

In London the ISE/Nikkei 50 index eased 2.87 to 1,428.46.

Bank stocks were lower. Tokuyo finished at an asked price of Y165, against Tuesday's close of Y245.

Among other banks, Bank of Tokyo Mitsubishi slipped Y20 to Y2,220 and Fuji Bank Y30 to Y2,330 as the decline in bond prices also affected sentiment.

Speculative issues were actively traded. Miyoshi Oil and Fat, a margarine maker, was the most active issue of the day, jumping Y100 to Y645. Kanto Special Steel Works, a special steel maker, rose Y52 to Y782. Shinko Electric shed Y10 to Y1,030 on profit-taking.

The decline in the yen supported shipping shares. Nippon Yusen hardened Y2 to Y625 and Mitsui OSK Lines appreciated Y4 to Y364.

Profit-taking hit steels and shipbuilders. Nippon Steel fell Y4 to Y367 and Mitsubishi Heavy Industries lost Y5 to Y921. High-technology stocks were lower in spite of the yen's decline. Toshiba receded Y9 to Y817 and Sony Y40 to Y6,400.

In Osaka, the OSE average firmed 17.28 to 22,750.62 in volume of 53.2m shares.

Roundup

Good inflation figures for March helped **MANILA** to a 17-month high as investors positioned themselves ahead of an expected post-Easter rally.

The composite index gained 23.40 at 2,962.79, its highest level since November 1994, but off its intra-day high of 2,966.28 as shares yielded to profit-taking after midsession.

BANGKOK added to Tuesday's 2.1 per cent rise with another of 1.6 per cent on further heavy buying, led by foreign investors. The SET index closed 21.64 up at 1,342.50 in turnover of Bt9.6bn. Bank and finance issues were once again the main winners.

JAKARTA was higher on active buying of the transport sector following a government announcement of rises in bus, taxi and domestic air fares.

Steady Safe rose Rp275 to Rp3,175, while Centris added Rp375 at Rp1,350.

SINGAPORE edged forward as bargain hunters reappeared for some index-linked blue chips after their falls in recent sessions. The Straits Times Industrial index ended 15.29 ahead at 2,381.10 in moderate volume of 110.8m shares.

Singapore Press saw demand for both its foreign and local shares after reports of a dip in pulp prices. SPH foreign rose S$1.60 to S$28.90, while the local tranche moved ahead 20 cents to S$15.30.

HONG KONG was in the doldrums ahead of the five-day Easter weekend, and the Hang Seng index ended 4.76 down at 11,139.88, off a high of 11,213.50. Turnover rose to HK$4.5bn.

Swire A closed 75 cents lower at HK$67.75, after a high of HK$69.25, after denying press reports that it was looking to sell out its majority stake in Cathay Pacific, which dipped 5 cents to HK$13.50.

KUALA LUMPUR's second board stocks bounced back after Tuesday's sharp fall and the composite index picked up 2.44 to 1,155.66. On the second board, Super Enterprise rallied M$4.40 to M$33.00, after Tuesday's M$9.65 plunge as the exchange imposed trading restrictions on the stock.

SYDNEY finished marginally lower after a late sell-off in the local currency and bond markets tipped the balance against shares. The All Ordinaries index lost 3.4 at 2,233.5.

Brokers said that comments by the Bank of Japan governor which suggested an increase in Japanese interest rates upset the Australian currency and bond markets.

KARACHI trading was suspended due to a strike and **TAIPEI** was closed for a public holiday.

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FINANCIAL TIMES GROUP

NEWS: UK

Enron asks US judge to nullify gas contract

By David Lascelles, Resources Editor

The rumbling dispute over take-or-pay gas contracts reached the law courts yesterday when Enron, a leading US gas company, asked a US judge to nullify a large gas purchasing contract it has with North Sea producers.

Enron claimed in a Texas court that its North Sea suppliers had failed to provide adequate pipeline facilities to transport the gas onshore from J Block, where it has contracted to buy 260m cubic feet of gas a day.

Enron said that the operating consortium, the Central Area Transmission System (CATS), had in effect repudiated the agreement by failing to bring the pipeline up to standard, and that this, in turn, invalidated its agreement to buy J Block gas.

Enron declined to say why it was dissatisfied with the pipeline, which has been in operation since 1993.

But it said its concerns had been made plain to the operators. The members of CATS "vigorously denied" Enron's allegations and "totally refuted" the imputation of technical shortfalls in CATS. The pipeline had been closed for only five hours since 1993, they added. The members are Amoco, British Gas, Amerada Hess, Phillips Petroleum, Fina and Agip.

Enron's action is the clearest sign yet of the mounting tensions between North Sea gas producers and suppliers over the take-or-pay agreements. These deals, negotiated in the 1980s, were set at prices far above the level to which gas has since fallen because of market liberalisation.

Enron became the first company to take direct action over the contracts last September when it declined to accept delivery of any J Block gas for at least a year – as it was entitled to do, though it still has to pay for it.

The operator of J Block, Phillips Petroleum, subsequently decided to re-inject the gas into the reservoir in order to extract liquids instead. However, Enron is also asking the US judge to order Phillips to halt re-injection because this might jeopardise future gas supplies.

Mr Kenneth Lay, Enron's chairman, said the company was resorting to the courts to protect its legal rights. However Enron's action was widely seen in the industry as an attempt to extricate itself from contracts which could cost it as much as £200m ($304m) a year, by some estimates. "This probably shows how desperate Enron are," said a North Sea analyst.

Northern Ireland shipyard wins $152m order for oilfield vessel

Harland and Wolff, the lossmaking Northern Ireland shipbuilder, yesterday became the first UK yard to be awarded a contract for a floating oil production vessel for the country's newest oilfields west of Shetland, John Murray Brown writes in Belfast.

The deal, worth an estimated £100m, ($152m) will secure about 1,000 of the 1,400 jobs at the yard. The company, privatised in 1989, is the first UK yard to be chosen to build a new floating production storage and offloading FPSO vessel, a type which the oil industry believes will be increasingly in demand. The deal coincides with the announcement by Mr Tim Eggar, the UK energy minister, to give formal approval to a British Petroleum led consortium to develop the Schiehallion field, 220km west of Shetland, in an area to the north of Scotland known as the Atlantic Frontier. The vessel will be worth £400m in a total investment by the BP consortium of £900m.

Abattoirs lay off half their workforce

By Alison Maitland in London

About 4,000 people, or roughly half the workforce, have been laid off by the 90 largest abattoir and processing plants in the UK, according to the Meat and Livestock Commission.

More than half of the 65 English plants contacted by the commission have stopped operations or switched to part-time working. On average, abattoirs run on a net profit margin of less than 1 per cent. Their total annual turnover is £2.6bn ($3.9bn). "A 50 per cent fall in turnover spells disaster for many companies," said Mr Martin Palmer, an economist with the commission.

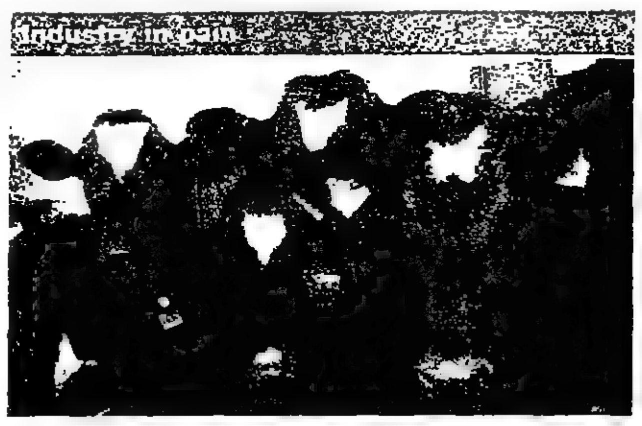
Another costly problem is revealed in a survey by the commission of 82 slaughtering and processing companies, representing about 80 per cent of the market. They are sitting on nearly 32,000 tonnes of unsold stock worth £79m.

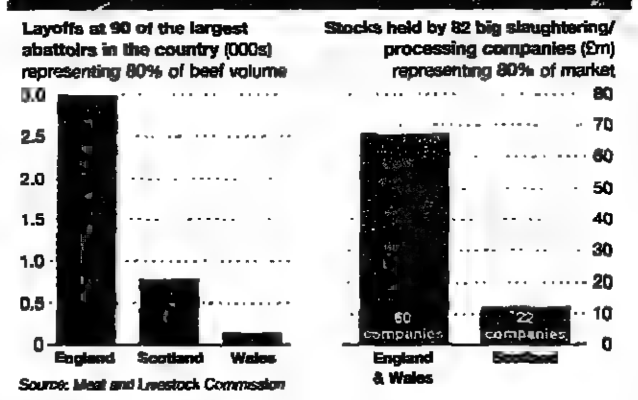
The biggest cost for these companies is the devaluation in their assets. Beef that is mature and cannot be sold will devalue by 10 per cent to 20 per cent a week. If companies freeze it, that wipes 50 per cent off its value, said Mr Palmer.

The commission does not yet have figures on lay-offs in other sectors of the beef industry, such as wholesale traders.

After the last serious UK food scare, salmonella in eggs, in 1988, consumption of eggs never fully recovered and has been static at 800m dozen a year for the past six years, 16 per cent below the level before the crisis.

Industry in pain





Source: Meat and Livestock Commission

EU farm ministers aim to wipe out 'mad cow disease'

By Caroline Southey in Brussels

EU farm ministers have announced the ambitious goal of eradicating "mad cow disease" in Europe in a desperate attempt to end a crisis viewed as a serious threat to the Common Agricultural Policy.

In negotiations over two days and nights, the ministers agreed measures aimed at removing meat at risk of BSE contamination from the food chain, supporting farmers hit by steep falls in sales and prices and tightening the rules on fodder production.

In addition, Britain has promised to table plans for "selective compulsory slaughter" by the end of the month, a step which is considered a precondition to a lifting of the worldwide ban on British beef.

The ministers refused to give Mr Douglas Hogg, the British agriculture minister, a firm pledge on when the ban would be lifted. As a result Mr Hogg refused to endorse the conclusions of the meeting.

"Mr Hogg was under instructions from the British prime minister not to agree the proposals unless there was a date for the lifting of the ban or at the very least a form of words to signpost how they would get there," a senior EU official said.

The official said Britain's refusal to sign up to the proposals would have no practical effect on the agreement. "Britain will have to implement the measures. Without them it has no chance ever of having the ban lifted."

Measures to reduce health risks and eradicate the disease include:

- A pledge by Britain to present proposals, to be approved by the commission by the end of April for selective compulsory slaughter of animals and/or herds most likely to have been exposed to infected meat-and-bone meal.
- Keeping meat from animals older than 30 months in Britain out of the food chain by destroying the carcasses of cattle killed after this age.
- The removal and disposal in Britain of all "specified bovine offals" from animals less than 30 months old.
- The upgrading of British rendering standards by the end of 1996 so that they meet the same heat and pressure standards as in the rest of Europe.
- Meat and bonemeal labelling to indicate that they are not allowed for ruminant feed.
- An increase in veterinary checks in Britain including checks on registration of livestock farms and identification of cattle to ensure "effective control of cattle movements and traceability of animals".
- "Urgent examination" by the EU's scientific veterinary committee of the list of products covered by the export ban.

In addition, a number of financial and market support measures were agreed:

- The EU will meet 70 per cent of the cost of the payment for the animals killed in Britain at a level of Ecu1 per live kg, an average of Ecu560 ($700) per animal at a cost to the EU of Ecu320m. Britain must meet the cost of the actual slaughter.
- EU co-financing, in any member states, of the slaughter of calves born in the UK. The Netherlands has already indicated it intends to slaughter 64,000 such calves.
- A change in the intervention rules for April so that 50,000 tonnes of been can be bought into intervention.

Precautions can make beef safe to eat, says WHO

By Frances Williams in Geneva

British beef is safe provided existing precautionary measures are fully adhered to, World Health Organisation experts said yesterday. They also confirmed that there is no hazard in milk or gelatine.

Nevertheless, a two-day meeting of 20 international experts at WHO headquarters in Geneva unanimously decided to tighten WHO recommendations on preventing the spread of "mad cow disease" among cattle and its possible transmission to humans.

The recommendations, which will be passed to all the WHO's 190 member countries, go further than Britain's current measures. In particular, the WHO has backed the EU's demand that no ruminant tissues be used in ruminant feed.

The world health body has also called for more research and improved surveillance and notification procedures both for BSE in cattle and Creutzfeldt-Jakob disease in humans. Dr David Heymann, head of the WHO's division of emerging diseases, said yesterday that the experts had not discussed whether the EU's ban on British beef exports was justified. But "if what the UK has said it is doing is being fully implemented, then beef is safe", he said. The risk of becoming infected was "minimal".

Dr Joe Gibbs of the US National Institute of Neurological and Communicative Disorders and Strokes, said the agent causing transmissible spongiform encephalophathies (TSE) in cattle and other animals had never been found in muscle tissue.

The experts noted that the link between BSE in cattle and the new variant of Creutzfeldt-Jakob disease identified in Britain was not yet proven but agreed that it was the most likely hypothesis. However, the British measures taken since 1989 appeared to be effective in reducing BSE in cattle and minimising the risk to humans, Dr Heymann said.

Other WHO recommendations include a review of rendering methods to ensure that they effectively inactivate agents causing TSE.

- Britain's conservative party rallied round Mr Douglas Hogg, agriculture minister, in the House of Commons yesterday, in spite of his failure to secure the removal of a worldwide ban on British beef at a meeting of EU farm ministers in Luxembourg.

Cabinet clears way for referendum on EU currency

By Robert Peston, Political Editor

Mr Kenneth Clarke, the chancellor of the exchequer, has extracted a cabinet commitment that there will be no further moves towards ruling out sterling's participation in a European single currency. That is the price of securing his agreement to a referendum on the inflammatory question.

Constitutional history was made with the cabinet's decision to pledge that there would be a referendum if a Conservative government decided to participate in monetary union. Never before has a Conservative administration accepted a national referendum.

But Mr Clarke made clear that he remained opposed to referenda and conspicuously refused to deny that he had considered quitting rather than agree to a monetary union poll. "I have not changed my well-known views on referenda," he said in a hastily convened press conference. Later, when pressed on whether he had contemplated quitting, he said: "I did not threaten my colleagues with resignation this morning."

Ministers yesterday confirmed that the prime minister had taken seriously the possibility that Mr Clarke might choose to go. Mr Clarke is the most passionate pro-European in the cabinet and feared that the referendum commitment would mark a decisive victory for the sceptics.

However, he insisted that there would be no further shifts towards a Eurosceptic approach to the single currency question. The option of joining would be kept open. This was confirmed by the foreign secretary, Mr Malcolm Rifkind, who said that "the government made clear quite some considerable time ago that we are not going to rule out the possibility of joining a single currency in the next parliament".

After a 40-minute discussion yesterday morning, ministers meeting as the "political cabinet" – the forum for party discussions – made the unprecedented decision to fight the general election on a commitment to hold a single-currency referendum. Mr John Major, the prime minister, spelled out the mechanics of how a referendum would take place. It would be preceded by a cabinet decision to enter the currency. "If they [ministers] decided it was in Britain's national interest to do so, they would prepare legislation to this effect and present it to Parliament", said Mr Major.

The legislation would contain a clause stating "that it would not come into effect until confirmed in a referendum". A "simple majority of those voting" would be taken as confirmation of Parliament's decision and the question would be "simple" and "neutral", such as "should the UK take part in a single European currency?".

Two aspects of the referendum arrangements represent significant concessions to Mr Clarke, following frantic attempts by the prime minister over the past few days to placate him.

First, any cabinet decision to join a single currency would bind all ministers not to argue against participation. The second concession is that the commitment is only for the lifetime of the next parliament.

Cash from private sector backs $258m hospital

By Andrew Adonis, Public Policy Editor

The government yesterday announced approval for a £170m ($258m) hospital under the Private Finance Initiative, its programme for boosting the role of the private sector in public investment. The hospital will be in the eastern England city of Norwich.

It also launched new Treasury guidelines on procurement through the PFI, designed to meet growing private sector concerns about the slowness at which the initiative is advancing.

The 700-bed hospital is the largest health project agreed under the PFI, and ministers say it opens the way for similar contracts over the next year.

Mr Michael Jack, financial secretary to the Treasury, claimed the government was only £200m short of its £5bn target for the capital value of projects agreed under the PFI by the end of March.

He said the new procurement guidelines would "respond to critics" of the PFI in the private sector, who have claimed that Whitehall obstacles were impeding progress. Under the guidelines, each department will be expected to nominate a minister to take charge of PFI projects.

No more than three or four bidders will normally be invited to submit tenders for projects, and departments will consider reimbursing bidding costs when projects are cancelled "for reasons beyond the bidders' control".

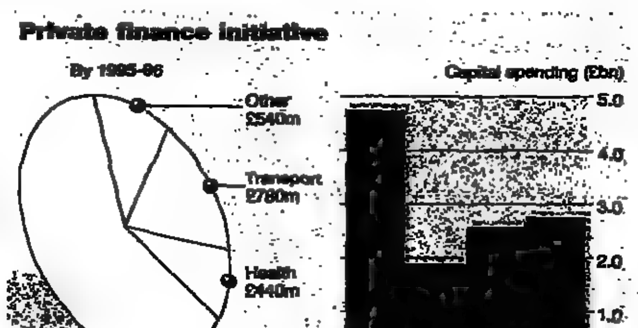
Mr Martin Laing, chairman of construction group John Laing, who has been a fierce critic of the slow development of the PFI, said the guidelines "recognised the need for improvements in the PFI procurement process".

Last week John Laing called for a single government agency to conduct PFI negotiations on behalf of spending departments.

The government has rejected that course. But the guidelines give the Private Finance Panel Executive – a Treasury agency – power to "undertake" PFI procurements on behalf of departments by agreement.

Mr Jack insisted this did not represent centralisation of the PFI at the Treasury.

Private finance initiative



Source: Treasury

UK NEWS DIGEST

Regulator expels former NatWest equities head

The Securities and Futures Authority, the UK stock markets regulator, has expelled the former head of European equities marketmaking at NatWest Securities, the investment banking arm of National Westminster Bank. Mr Geoffrey Glazebrook was expelled from the SFA's register of managers for deliberately overvaluing his trading positions in seven securities in order to conceal losses over an eight-month period. He has been fined £7,500 ($11,400) and ordered to pay SFA's costs of £2,500. NatWest said Mr Glazebrook had left the company in March 1995, and that no clients had been disadvantaged as a result of his actions.

An SFA statement said that Mr Glazebrook had admitted that he had breached the first principle laid down for by the Securities and Investment Board, the umbrella regulator which oversees other regulatory bodies such as the SFA. The principle requires those involved in investment business to "observe high standards of integrity and fair dealing."

George Graham, Banking Correspondent

Labour 'to keep Elgin Marbles'

Mr Tony Blair, leader of the opposition Labour party, dismayed the Greek government when he reprimanded Mr Mark Fisher, his party's arts spokesman, for suggesting that the Elgin Marbles might be returned to the Acropolis in Athens. Mr Fisher said in an interview with The Daily Telegraph newspaper that "it would be foolish and internationally churlish not to hold proper talks with the Greek government". But yesterday Mr Blair intervened to make clear that the marbles – part of an 40m frieze from the Parthenon – would stay in Britain. "Mark Fisher had absolutely no authority to say that," said one of Mr Blair's aides. "We have never had a policy that they should go back to Greece."

Greece had high hopes that a Labour government in Britain would return the marbles to their original home, and viewed Mr Fisher's comments as confirmation of existing policy. Mr Neil Kinnock, the former Labour leader who is now a member of the European Commission, made repeated requests for repatriation of the marbles, saying that "the Parthenon without the marbles is like a smile with a missing tooth".

Yesterday's response from Mr Blair's office came as a bitter disappointment to the Greek government. The marbles were acquired by Lord Elgin, the British ambassador in Athens, in 1801 and were bought by the British government in 1816. They are now on view in the British Museum.

George Parker, Westminster

BBC World Service cut rapped

The government's decision to reduce funding to the British Council and the BBC World Service was described as "frankly incredible" by a cross-party parliamentary committee yesterday. A report by the House of Commons foreign affairs committee also took the government to task for downgrading the Commonwealth. The British Council and the World Service have been told to cut spending by about 9 per cent over the next three years.

It said the cumulative effect of cuts in spending on broadcasting, cultural activities and scholarships for Commonwealth students would "be seen by so many Commonwealth friends as vivid illustrations that we do not care." The government says it has partially neutralised the effect of the World Service cuts by allowing any savings that are made on capital expenditure to be ploughed back into spending.

Bruce Clark, Diplomatic Correspondent

Names criticise report

LLOYD'S
LLOYD'S OF LONDON

Dissident Lloyd's of London members sought yesterday to undermine a report which backs the thrust of the insurance market's recovery plans. The report by the London law firm Slaughter and May concludes that no Lloyd's Names – individuals whose assets have traditionally supported the market – would be better off if the insurance market ceased taking new business.

The study is likely to fuel demands for an increase in a proposed a £2.8bn ($4.25bn) out-of-court offer to lossmaking and litigating Names.

Mr Alan Porter, a member of the group which oversaw Slaughter and May's report, yesterday said he could not agree with some of its conclusions. Mr Porter is deputy chairman of the Lloyd's Names Associations' Working Party, an umbrella group representing many of the worst hit Names. He accused Lloyd's of having restricted Slaughter and May's terms of reference.

Ralph Atkins, Insurance Correspondent

Commission taken to court

The UK government is taking the European Commission to court for spending money on social projects without legal authority. The legal challenge, which will be heard by the European Court of Justice, is based on the claim that the Commission exceeded its authority in spending on so-called "social exclusion" programmes intended to alleviate the problems of poverty.

James Harding, Westminster

EU plea to employers

British business should embrace new European Union directives on parental leave and "posted workers" as a boost to employees and a spur to productivity and success, said Mr John Monks, general secretary of the Trades Union Congress. The "posted workers" directive ensures that staff moved to another country are covered by local agreements.

In spite of the UK's opt-out from the EU social chapter, Mr Monks said 3m British workers would benefit if multinational companies gave UK employees the same rights as their other employees.

Andrew Bolger, Employment Correspondent

Reserves fall sharply

The government's official reserves of gold and foreign currency fell by an underlying $147m in March, the biggest decline for six months, according to Treasury figures. At the end of the month the total value of the reserves stood at $44.8bn

Robert Chote, Economics Editor

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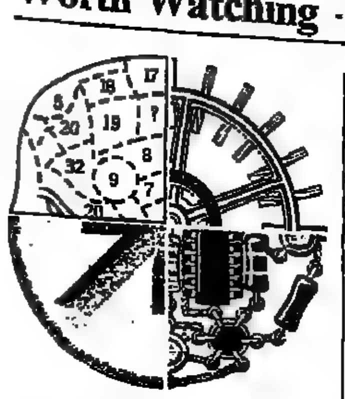
ACCOUNTANCY APPOINTMENTS

TECHNOLOGY

Worth Watching · Vanessa Houlder



Net result for preventing malaria

Hundreds of thousands of deaths a year from malaria could be prevented by treating mosquito nets with insecticide, according to research backed by an international consortium that includes the World Health Organisation.

Trials in Kenya, Ghana and the Gambia showed that treatment of the nets with a household insecticide called permethrin could reduce childhood deaths by 30 per cent and the risk of developing severe malaria by more than 40 per cent.

The researchers say that for the first time in decades there is hope that malaria can be controlled in highly endemic areas. Its incidence has been increasing, partly because of resistance to drugs, and it accounts for at least a quarter of all deaths of children below five years old in Africa. Almost 3m people worldwide die of malaria each year.

The consortium backing the research included the UK's Wellcome Trust, Canada's International Development Research Centre, the Canadian International Development Agency, the London School of Hygiene and Tropical Diseases and the WHO's Tropical Disease Research Programme in Geneva. The results will be published in Tropical Medicine & International Health tomorrow.

The Wellcome Trust: UK, tel (0)171 611 8888; fax (0)171 611 8545.

PC diskette with extra storage

Development of more sophisticated PC applications requires greater storage capacity. But the diskette is one of the few PC components that has not evolved during the past decade.

Now 3M, Compaq, Matsushita-Kotobuki Electronics Industries and OR Technology have developed a diskette with 80 times the capacity of the standard 1.44MB version. The LS-120 diskette holds 120MB of data, equivalent to 7,000 business letters or 40 CD-Rom images, and is already incorporated in some of Compaq's PCs sold in the US. It will be available in the UK in May. Sold through its network of distributors, it costs $19.99.

3M: UK, tel (0)1344 858153; fax (0)1344 858659.

Switchboards and the spoken word

Company switchboards that use automated answering systems instead of telephone operators can be irritating, not least because they require callers to use a touch-tone telephone and to know the required extension number.

Those disadvantages have been removed with the development of a speech-driven automatic telephone operator. Vocalis, a voice technology specialist, has developed a speech-controlled system, which only needs the caller to say the name of the person or department they want.

The system is being jointly marketed with SCO, the Unix server systems supplier.

Vocalis: UK, tel (0)1223 846177; fax (0)1223 846178.

Optical focus on microelectronics

Jessi, the joint European research programme on microelectronics, has developed optical imaging technology that could be an important part of the manufacturing process for future generations of silicon chips.

Heraeus Quarzglas and Carl Zeiss, German instrument companies, have developed the new optical materials and lens manufacturing techniques required to produce integrated circuits with structures smaller than a quarter of a micron (a millionth of a metre.)

The images needed to define such a minute pattern on the silicon wafers are a 1,000 times more detailed than the highest quality photographs and require exceptionally high quality lenses.

The researchers developed ultra-pure optical materials made from fused silica or calcium fluoride and more advanced techniques for shaping, polishing and assembling the lenses.

Jessi: Italy, tel 396035901; fax 396036094.

An EU directive aims to tackle the problem of electromagnetic disturbance, reports **Mike Farish**

Putting a stop to interference

For the millions of people who enjoy feeding coins into fruit machines and similar equipment – to be rewarded with flashing lights, beeps, buzzes and maybe even some money back – touching a button has largely replaced pulling on a big heavy lever.

That is because the old electro-mechanical machines have given way to devices with increasing amounts of electronic circuitry.

But sometimes the electronics turn the fun to vexation. In one case lights on a fruit machine came on and off in the wrong order. In another example, "question and answer" machines popular in pubs, on which players use a touch-screen to choose answers to brain-teasers, acted as if a phantom finger were also playing.

The cause of both malfunctions was the machines' susceptibility to electromagnetic interference, says Andy Powell, technical director of UK-based JPM, which manufactures about 25,000 "amusement with prizes" machines each year.

In the first case, the source was the radio equipment used by a mini-cab firm in a nearby building. In the second, it was the transmitter for a local radio station some 200m down the road.

Eradicating such problems is the aim of the European Union directive on Electromagnetic Compatibility (EMC), which came into force at the beginning of this year. The directive has implications for a number of industries, and not everyone is happy.

It aims to ensure that almost all the electrical and electronic products supplied for both domestic and business use within the EU fulfil two objectives.

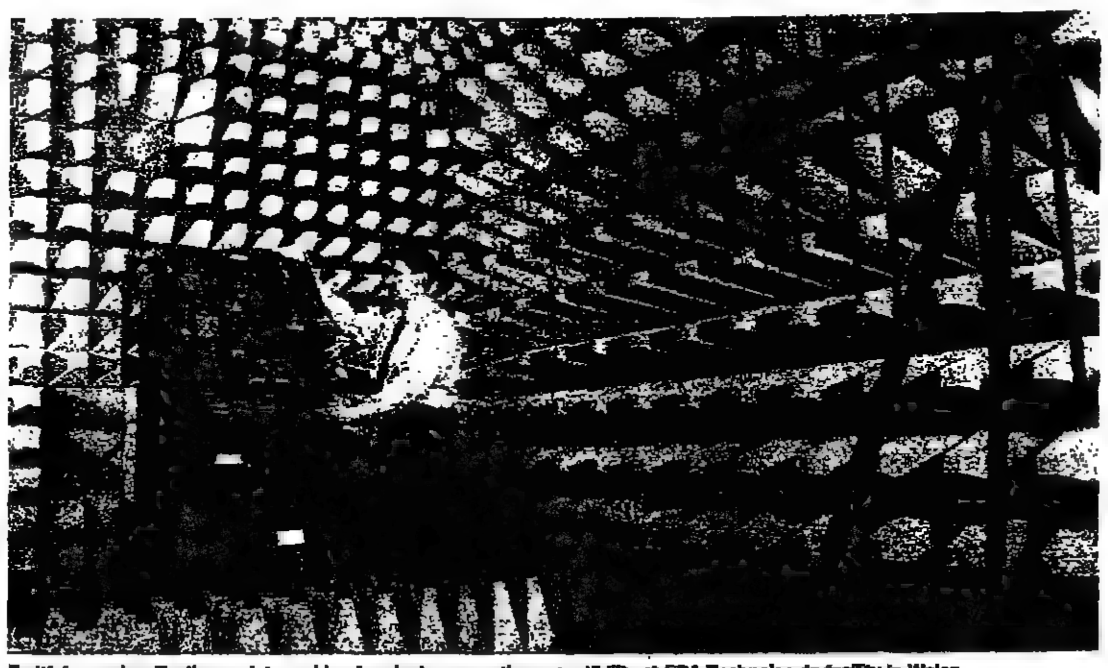
First, they must possess sufficient immunity to electromagnetic disturbance to operate as intended.

Second, they must not generate interference that might impair the operation of other similar equipment. Powell's fruit machine, for example, was revenging itself on the minicab firm by causing crackling over its radio system.

The directive does not contain specific standards but outlines the routes by which compliance can be achieved. Individual countries can flesh out the details for themselves.

Work on the regulations began in the 1980s and although they officially became law in 1992, implementation was delayed until this year because much of industry needed more time to prepare. Compliance with the directive enables companies to affix the European CE Mark to their products or its packaging. In contrast, non-compliance carries with it the threat of hefty fines and even imprisonment.

Many companies have used the extra time to good effect. JPM carried out a complete redesign of the electronic heart of its equipment, a printed circuit board packed with microcomponentry.



Fruitful exercise: Testing a slot machine for electromagnetic compatibility at ERA Technology's facility in Wales

Powell says the exercise involved using extra inductors and capacitors, thickening the metal tracks on the board connecting particularly "noisy" components, making them more likely to act as conductors than as aerials, and also fitting sheet steel shielding.

The modifications have added an extra 1 or 2 per cent, about £30, to the cost of complete machines that usually sell for about £2,000. But for JPM they have done the trick. The company's equipment was checked for compliance by the UK-based ERA Technology consultancy at its new EMC test facility in South Wales and given the all-clear.

Similarly, Compaq, the multinational computer equipment manufacturer has been working steadily over several years to meet the EMC deadline. Bill Davidson, quality and product engineering director at the company's plant in Scotland, says Compaq has carried out a thorough redesign of its products, backed up by testing at its facility in Houston in the US, to ensure it can add the CE Mark.

Failure to do so would have meant users facing the frustrations of corrupted data, fuzzy displays and sluggish operating speeds – the symptoms of computers affected by electromagnetic interference.

The work again involved the addition of extra componentry and shielding, with power supplies – the internal transformers that convert AC mains electricity to DC – being a particularly challenging area.

But, says Davidson, the work was evolutionary. The company "didn't have to do anything extraordinary".

Elsewhere, however, there is concern about the directive. Geoff Sewell, director-general of the Birmingham-based European Computer Leasing & Trading Association (Eclat), says it has potentially serious implications, both for the leasing of new equipment and for the "second-user" market across Europe.

The latter accounts for about £3bn of business a year compared with a market for new computer equipment, excluding domestic PCs, worth around £30bn.

The regulations cover the "assembly, finishing, reconditioning and modification" of equipment. The problem, however, is that the great majority of new computer equipment is reconfigured within 18 months of first being purchased, for instance by the addition of extra memory.

It is unclear whether such reconfiguration may be regarded as modification and therefore impose a requirement for subsequent compliance with the directive.

Sewell points out that it is effectively impossible to test already installed computer equipment on-site because of the effects of general background electromagnetic interference. So a leasing company would have no way of knowing whether reconfiguring an already installed piece of hardware might land it with a court summons. .

The same factors would also inhibit the trade in second-hand computers, which are often reconfigured before being passed on to new owners.

Sewell says this would both impede the ability of smaller companies to acquire more sophisticated equipment at a relatively cheap price and deprive the original purchasers of the value that resale potential offers.

Eclat is holding talks with the European Commission to resolve the issue. Sewell suggests one solution might be to allow exemption for equipment reconfigured only to a specification already introduced by the manufacturer.

The directive has also caused problems for suppliers of industrial control and instrumentation equipment. Late last year, for example, Rudi Rauber, managing director of Jumo Instruments in Essex, England, threw out 100 signal conditioning units, worth a total of £3,500, from the company's storerooms.

He did so because the units not only needed expensive modification to make them electromagnetically neutral, but also because most of Jumo's customers build its products into larger assemblies which are then sold to end-users.

Selling such assemblies containing the unmodified units would therefore now be illegal, though supplying the units direct to end-users as replacements for malfunctioning parts installed before this year would not be against the law. Rauber says the incident will not be repeated.

The German-owned Jumo group has invested about £500,000 in its own EMC testing facilities and has recently told customers that all relevant items it supplies now carry the CE Mark.

Proof of compliance is an important issue for industries affected by the directive. Companies that have not yet achieved CE Marks for their products are turning to organisations such as IBM UK Services in Hampshire. Dave Imeson, EMC manager, says testing is a significant business for the company and that at present it cannot satisfy demand. Nevertheless, he is upbeat about the situation. The Department of Trade and Industry did a good job, he says, of publicising the directive and "the UK is generally ahead of the rest of Europe".

The pressure on industries worried by the directive has been eased slightly by the agreement by EU member states to allow a 12-month period of "administrative tolerance" beyond this year's official deadline.

As a consequence, trading standards organisations that are responsible for policing the directive are still taking a "relaxed view" of the situation, says Imeson.

But once the directive is fully anforced, many companies may find themselves in trouble with the law.

NOTICE

UNIDEN CORPORATION (the "Company") "Adjustments to the Subscription Price and the Conversion Price"

Bearer Warrants (the "Warrants") to subscribe up to ¥17,112,000,000 for shares of common stock of the Company (the "Shares") issued with U.S. $150,000,000 1 per cent. Guaranteed Bonds due 1998 and ¥10,000,000,000 5/8 per cent. Convertible Bonds due 1998 (the "Convertible Bonds") convertible into the Shares

NOTICE IS HEREBY GIVEN pursuant to Condition 7 of the Warrants and Condition 6 of the Convertible Bonds that as a result of the issue of ¥10,000,000,000 convertible bonds due 2000 on 28th March, 1996 by the Company with the *initial conversion price per Share* of ¥1,899 for such convertible bonds as determined on 21st March, 1996 being less than the current market price per Share (¥2,026.30) with adjustment for year-end dividend (¥17.5), the Company has adjusted the subscription price of the Warrants and the conversion price of the Convertible Bonds as follows:

The Warrants

1) Subscription Price before adjustment: ¥3,729.50 per Share.
2) Subscription Price after adjustment: ¥3,710.90 per Share.
3) Effective Date of adjustment: 29th March , 1996 (Japan time).

The Convertible Bonds

1) Conversion Price before adjustment: ¥2,573 per Share.
2) Conversion Price after adjustment: ¥2,559.40 per Share.
3) Effective Date of adjustment: 29th March , 1996 (Japan time).

4th April , 1996

UNIDEN CORPORATION
Tokyo, Japan

BANK OF TOKYO-MITSUBISHI TRUST COMPANY
Disbursement Agent for the Warrants

THE BANK OF TOKYO-MITSUBISHI, LTD.
Disbursement Agent for the Convertible Bonds

LEGAL NOTICES

In the High Court of Justice No 001852 of 1996
Chancery Division
Companies Court

IN THE MATTER OF
IAF GROUP PLC
and
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on the 19th day of March 1996 presented to Her Majesty's High Court of Justice for confirmation of the reduction of the capital of the above named Company from £27,094,166.7u to £18,000,000.

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before the Registrar of the Companies Court at the Royal Courts of Justice, Strand, London WC2A 2LL on Wednesday the 17th day of April 1996.

Any creditor or shareholder of the said Company desiring to oppose the making of an Order for the said reduction of capital should appear at the time of the hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any person requiring the same by the undermentioned solicitors on payment of the regulated charge for the same.

DATED this 4th day of April 1996
Lawrence Graham
190 Strand
London WC2R 1JN
Ref: ACD/JWN/1215W21245650]
Solicitors for the above-named Company

In the High Court of Justice No 001110 of 1996
Chancery Division
Companies Court

IN THE MATTER OF
CRESTON LAND & ESTATES PLC
and
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated 27 March 1996 confirming the reduction of the said Company's share capital from £13,500,000 to £6,005,374.32 and the Minute approved by the Court showing with respect to the capital of the Company as altered the several particulars required by the above-mentioned Act were registered by the Registrar of Companies on 28 March 1996

DATED this 4th day of April 1996
Frere Cholmeley Bischoff
4 John Carpenter Street
London EC4Y 0NH
Ref: SJH/APH
Solicitors for the above-named Company

In the High Court of Justice No 001238 of 1996
Chancery Division
Companies Court

IN THE MATTER OF
POSTERMOBILE PLC
and
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated 27th March 1996 confirming the reduction of the capital of the above-named Company from £4,421,600 to £1,573,615.20 and the Minute approved by the Court showing with respect to the capital of the Company as altered the several particulars required by the above-mentioned Act was registered by the Registrar of Companies on 29th March 1996.

DATED this 4th day of April 1996
Lawrence Graham
190 Strand
London WC2R 1JN
Solicitors for the above-named Company

ARTS

Cinema/**Nigel Andrews**

Yet more words on the street

Been there done that: Joseph McFadden and Laura Fraser in Gillies MacKinnon's witty but all-too-familiar British rites of passage movie

It is difficult to be a child growing up in a British movie. Sure as eggs is eggs you will be born in Glasgow or Liverpool. You will have a long-suffering mum and abusive or absent dad. And you will be dragged through essential rites of passage like going to the pictures, joining a street gang and losing your virginity. Finally, in your sere and white-haired twenties you will make a film about yourself.

Bill Douglas did it, Terence Davies did it, everyone does it, which prompts the Noel Cowardish question: why can't the middle classes make movies about themselves? *Small Faces* is a quasi-autobiographical film by Gillies MacKinnon (of *The Playboys* and *A Simple Twist Of Fate*), who co-wrote it with his brother Billy (script editor of Jane Campion's *The Piano*). The movie has pounds of charm, ounces of sharp observation and several grams of wit. Yet it suffers badly from we-have-been-here-before syndrome.

We certainly feel we have visited this household. Mum (Clare Higgins) is a loving but grimfaced domestic charioteer, trying to control three runaway sons each running in a different direction. Bobby has joined a gang, Alan is a sensitive painter and 13-year-old Lex is a freelance hellion. Lex (Iain Robertson) takes on the heavy-duty delinquencies, like popping enemy gang leader Malky in the eye with an airgun or abseiling into an art gallery for a bit of inventive vandalism.

He is also the audience's seeing-eye puppy. Through him we gaze up at the ugly mudlapped tower blocks of "Tongland", where the evil gang lives – Eliot's wasteland seen as urban disaster – or ogle the dandyish swagger of the brothers' own street chieftain, a Mr Sloan (Garry Sweeney) surrounded by his mini-rangers. Sloan, the film's best character, treats life as a catwalk. He preens, he attitudinises, and apart from clothes his main interests are beating people up and Egon Schiele paintings.

Schiele, we feel, should have been hired as technical adviser on this portrait of hell on

SMALL FACES
Gillies MacKinnon

SWIMMING WITH SHARKS
George Huang

NADJA
Michael Almereyda

DUNSTON CHECKS IN
Ken Kwapis

NORTH BY NORTHWEST
Alfred Hitchcock

earth. He might have tweaked the movie away from the cute and amorphous towards the focused and infernal. The McKinnons pile on the 1960s period detail, which is so dense it might have fallen off the back of an Antiques Roadshow lorry. All the right clothes, kitchenware, posters, pop mementoes. Yet at times it makes the movie seem more museum piece than living theatre.

Idling on its charm, the film is also careless with false notes. When Lex hears from a pal, hours after the event, that his casual gunshot hit Malky in the eye, he does not even inquire (though his life may depend on it) if the shot blinded him. Later, in a crucial plot turn, a character wakes in a gas-filled room and after turning off the gas – without opening the door – he casually lights a cigarette. Farewell character. Farewell credibility.

Small Faces should have decided early on whether to be a comedy, a nostalgia essay or an awful-warning docudrama. Instead it is bits of all three thrown into the Moulinex. Even the most fiercely original moments – a skating rink murder with a body leaving a die-straight trail of blood as it is dragged off the ice – lose force in a context so jumbled that the story fails to function as either great movie memory or great movie drama.

*

Kevin Spacey, his career freshly ballasted with a best supporting actor Oscar for *The Usual Suspects*, is the best reason to see the Tinseltown satire *Swimming With Sharks*. As a tyrannical movie executive devoted to bullying a young assistant (Frank Whaley), he stays afloat in a sea of theatrical epigrams, mainly because he delivers them with a carnivorous snap while everyone else looks lost and treads water.

Writer-director George Huang has a good ear for the higher Hollywood imbecilities. "David Lean's dead," says someone during a director-choosing conference. "Don't ever say that. Just 'unavailable'," retorts Spacey. And insults run to choice items such as: "If you were in my toilet bowl I wouldn't bother flushing." But in a talk-feast like this we need more than one talker, and more than a series of cramped office or domestic interiors in which to uncork the *bons mots*.

We also start to wonder who these self-satirising Hollywood films are for. Like a serial killer who raps himself over the knuckles for his bad habit but keeps on killing, the US movie industry still breeds madmen, scoundrels and vulgarians, however many *Barton Finks* and *The Players* and *Swimming With Sharks* it makes.

Deep down, of course, we know exactly the reason. Movietown *enjoys* its folly and knavery, and enjoys it in complete safety. For what danger is there in swimming with sharks when everyone, including the satirist, is a shark?

In *Nadja* everyone is a vampire – at least so far as I could determine from this numbing *exercise du style* shot in shimmery black-and-white with outbreaks of "Pixelvision", that tesselated photo-technique we sometimes see in identity-concealing TV crime reports.

A whole lot of drifters and outcasts, played in modern dress by the likes of Peter Fonda (Van Helsing), Elina Lowensohn (Carpathian temptress), Suzy Amis (passing paranormalist) and Peter Fonda again (doubling as Dracula), move through ersatz-existential dialogue that is less like swimming with sharks, more like drowning in arthouse quicksand.

That writer-director Michael Almereyda won the Best Director prize at the Sitges Fantasy Film Festival prompts two responses. One, to strike that event from my calendar. Two, to ask why the Institute of Contemporary Arts was hoodwinked by the fool's gold of an obscure Euro-award into foisting this film on Britain.

Dunston Checks In is on a higher level altogether. An orang-utan; a five-star New York hotel; and every prescription for chaos which that combination could produce. I caught the comedy at my local cinema, where large numbers of children crawled about the floor, ate dubious food and threw the wrappers at passers-by, much in emulation of the engaging hero.

Sam the orang-utan plays Dunston. Rupert Everett plays the animal's burglarious owner, giving a fine Terry-Thomas impersonation. Jason Alexander of TV's *Seinfeld* is the immaculately harassed hotel manager. And Faye Dunaway chews the scenery as Faye Dunaway. In short, the perfect Easter film for the children.

*

For adults there is a full-scale Pier Paolo Pasolini retrospective at the National Film Theatre. Like most acclaimed directors from Catholic countries, Pasolini was a Marxist humanist with atheistic leanings. His work, from the barbed allegorising of *Theorem* and *Pigsty* to the retro-realism of *The Decameron* and *The Canterbury Tales*, waged passionately picturesque warfare on modern beliefs and value systems, even if he never quite convinced us that he had something to put in their place.

Best bet for the entire family is Hitchcock's *North By Northwest* (PG). In a refurbished print Cary Grant dashes across most of unfurbished America, from midwestern deserts to Mount Rushmore, pursuing or being pursued by James Mason and Eva Marie Saint. It may be the only film in history to combine the lightness of a *jeu d'esprit* with the feel of an epic.

Theatre/**Alastair Macaulay**

Through the eyes of innocence

For the latest play at the Bush Theatre, *Clocks and Whistles*, the shortest biographical credit on the programme is the most important. Under "Dominic Dromgoole", it simply reads "This is Dominic's final production as artistic director of the Bush Theatre."

Dromgoole, of course, had a life before the Bush (I am still haunted by his staging of David Ashton's *Passing By* at the Old Red Lion in March 1990) and has plenty of life ahead of him. But he deserves warm congratulations now for his work at the Bush. Even if you feel – as I do – that ours is far from being a golden age for new plays, his Bush has been a centre of very in-touch writing.

The Bush is merely a room above a pub which puts on shows in a pint-sized acting space to a sometimes cramped audience – and yet sometimes a play that began life there, notably Jonathan Harvey's *Beautiful Thing* in 1993, has gone on to win West End acclaim. To actors, designers, and directors as well as playwrights, Dromgoole's Bush, has been an important port of call.

He brings his regime to a close, in a fine and fitting gesture, by staging – as the third and final production of the Bush's season of "London Fragments" – the excellent first play of a 26-year-old author, Samuel Adamson. *Clocks and Whistles* (I don't "get" the title, but never mind) takes us through a few months in the life of Henry, a young man working in a London publishing house. It takes us time – though the play is at once funny and easy to follow – before we see its point. For Henry himself is the point, and he is almost transparent.

Henry, I have to say, reminds me to an embarrassing degree of my younger self; but he also reminds me, happily, of certain characters in fiction. Like a Dickens hero, he is often far less colourful than the slightly two-dimensional characters with whom he spends his time. Like a Henry James protagonist, he is an innocent (not without priggishness) confronted by various forms of experience that both attract and alarm him.

The most poignant feat of Adamson's play is that, though Henry is never off-stage, he is its least formed character. In particular, we see his more-or-less platonic friendship with Anne, a spoilt young actress, and his more-or-less sexual friendship with Trevor, a callow and bisexually promiscuous chap who develops some hilarious ambitions as a poet. Anne has a posey sugar-daddy, the American-accented Alec; Trevor has a watchful relationship with his neighbour, the suave painter Caroline. All of them are so much more vivid – more pretentious, more witty, more absurd, but above all more free – than Henry. But that is because we see them through his eyes, and we feel his own immaturity as if it were our own. At the end, he gains one emotional victory only by entering an emotional trap. Adamson handles all of this economically, laconically, and absolutely surely. We never know where the play will go next, and we follow it with no simple emotion.

Dromgoole's staging entirely complements the play. The emphasis is all, rightly, on the acting. (Paul Andrews's simple designs only make one mistake, by colouring the occasionally glimpsed kitchen area red in contrast to the largely acquamarine colours of the main stage. This distracts.) John Light is beautifully cast as Henry, vulnerable through all his tight defences. His sculpted face looks tense, even when its solemnity is suddenly changed by a boyish smile (he overdoes certain frowns, however); and his surprisingly low voice carries just the right weight of self-consciousness.

Neil Stuke, with his wide mouth and sunny ways, is utterly right as Trevor; Kate Beckinsale is delectably selfish and pretty and shallow as Anne (the play's only real flaw is its idea that she, with her china-doll containment and upper-class affectations, could ever be successful as an actress, least of all in *Who's Afraid of Virginia Woolf*); Michael Cashman brings a wonderfully alarming gleam to the eye of Alec. And Melanie Thaw leaves us wishing we saw far more of the cool and ultra-legato Caroline. The apologetic, *dolcissimo* way she asks Henry if he would like some "Bullgarian" wine; the quiet way, when Trevor announces he has bought a bottle of Buck's Fizz, she utters "Well...". These are little bonuses that make an already touching and amusing play also delicious.

At the Bush Theatre, London W12 until April 27.

Alastair Muir

John Light (top) is well cast as the vulnerable Henry, and Neil Stuke as the callow Trevor

Music/**Andrew Clark**

Lucerne in tune with Easter

There are only two Easter festivals of international significance, and they could not be more strongly contrasted. Whereas Salzburg's Easter festival was founded in the image of Herbert von Karajan and is still haunted by his ghost, Lucerne, in true Swiss style, allows no dominating personality. Salzburg is a celebration of hedonism, with events and prices to match; Lucerne respects the true meaning of Easter, balancing symphonic concerts in the Kunsthaus with performances of sacred music in the city's beautiful churches. Lucerne may operate on a smaller scale, but the quality is just as high.

Lucerne's Easter festival was founded in 1992. The local response was tepid. Being a staunchly Catholic city, there were fears that the festival would disturb the contemplative atmosphere of Easter and rival the churches' own programme of music. Easter is also when many Swiss go for a final ski or head for the sun.

The festival has overcome some of those drawbacks by moving to the five days before Easter week, when there are no competing attractions. Even so, the hoped-for link-up with local performance groups has not materialised. That will be possible only when Lucerne gets its new concert hall in 1998: with a more flexible performing space than the Kunsthaus, the festival will be able to mount its own productions. Matthias Bamert, the festival intendant, has a fund of ideas, including sacred opera and dance, a staged Passion or oratorio and recitals of religious songs. These would give the festival a stronger identity.

Nevertheless, there could be few complaints about Bamert's latest programme, which allowed Lucerne to hear the kind of events it could not produce itself. Nikolaus Harnoncourt conducted in Lucerne for the first time, and Sigiswald Kuijken brought the orchestra and chorus of La Petite Bande for a performance of Bach's *St John Passion*. As in previous years, the remaining concerts were conceived as a portrait of a world-class orchestra and its conductor, allowing them to show what they do best. This year was the turn of the Cleveland Orchestra under Christoph von Dohnányi.

The undoubted highlight was Kuijken's Bach interpretation in the baroque splendour of the Jesuitenkirche. Although Kuijken is no less steeped than Harnoncourt in historical performing practice, he treads a very different path. Instead of heavy accents and dramatic contrasts, Kuijken prefers harmony and fluency, achieving a sense of musical story-telling without a hint of piety or blandness. Textures were smoothly moulded, and the Jesuitenkirche's swimming acoustic never detracted from the quality of articulation.

Kuijken's Bach works on the principle that small is beautiful. There were only 18 in the chorus, of which seven were women – producing a soprano line as pure as any boys' voices. The instrumental group, including four *continuo* players, was equally modest. This is not how you might always want to hear the *St John Passion*, but its impact in Lucerne was overwhelming. The key was Kuijken's willingness to let the music speak for itself and his choice of soloists.

Markus Schäfer's Evangelist recalled the young Peter Schreier in his operatic timbre and intelligent articulation. Gabriele Rossmanith's bright soprano and Huub Claessens's dignified bass also impressed, and Andreas Scholl was the most naturally expressive male alto I have heard. His two arias alone were worth the ticket.

The first two Cleveland programmes – the third was identical to their London concert – were a trifle disappointing. The orchestra is clearly in pristine shape, particularly in the strings, but the performances were curiously bloodless. That has something to do with Dohnányi's musical personality: he is the supreme orchestral technician, capable of raising the decibels without vulgarity but unable to get his performances off the ground emotionally.

In Bruckner's Fifth and Brahms's First Symphonies, played on successive nights, the symphonic logic was undeniable, the harmony faultlessly balanced. But Bruckner needs more than clarity. Dohnányi's plodding tempi made the last two movements sound alternately banal and bombastic – a case of Bruckner demystified – and the final pages of the Brahms were even-tempered to a fault. One hears many worse played but more rousing performances.

Intellectual conductor that he is, Dohnányi was more at home in Schoenberg's *Five Pieces for Orchestra*, which he turned into a modernist *Ur-Text*, with the Clevelanders' famed clarity of texture coming into its own. They also delivered John Adams's *The Chairman Dances* with the requisite rhythmic panache and provided flawless accompaniment for Andreas Haefliger's performance of Mozart's Piano Concerto No 21.

For anyone who learned their Mozart concertos from the recordings Robert Casadesus made in Cleveland with George Szell, Haefliger must have come across as too precious by half. Delicate, dextrous and decorative, this was the porcelain school of Mozart playing, miniaturist in scale and gutless in expressive scope. But the Lucerne audience lapped it up.

No one visiting the festival this year could fail to notice the huge hole in the ground next to the Kunsthaus, where the new concert hall is being built. Lucerne's example of local initiative makes a striking contrast to the arts climate in the UK. Backed by a referendum, the city fathers and cantonal authorities are providing more than 60 per cent of the SFr194m (£107m) cost of the new hall, and 18 per cent has been raised privately. Other interested parties, including the Lucerne Hotels Association, have made substantial contributions.

Bamert's solution for the 20 months between the knocking down of the Kunsthaus and the opening of the new hall is equally enterprising. He is building a self-contained wooden auditorium inside a disused steel factory. The Easter and summer festivals will continue uninterrupted. There is no discounting Swiss ingenuity.

Opera/**David Murray**

Doubly classical 'Alceste' shelters under a Greek umbrella

Gluck's *Alceste* is doubly "classical", with its story drawn from ancient legend and its score a peak of late 18th-century opera. For Scottish Opera, a new production by Yannis Kokkos aims to bring those two senses of "classical" together under a Greek umbrella – both the myth and the operatic setting, which is therefore transposed to an almost-modern Greek village.

David Freeman's version of the Monteverdi *Orfeo* aimed at something similar, but more persuasively. There is a certain hard austerity about *Orfeo* after all; the contours of *Alceste* are gentler, with its tale of marital devotion until death and beyond, and its graceful, measured ballets. Here Richild Springer has striven to turn those into Greek folk-dances, which are pretty but unconvincing as adapted to Gluck's Frenchified music.

The Kokkos set features giant blow-ups of a modern Greek painting, four handsome rustics representing the Four Seasons. Otherwise it is a great hollow shell, both a temple of Apollo and the entry to the underworld. King Admetus is dying; his wife Alceste, or Alkestis, offers her own death to Apollo in place of his. The offer is accepted, but by the end Apollo is so moved by their mutual loyalty that he restores both of them to life.

Alceste is the French soprano Isabelle Vernet, whose notable earlier promise begins to sound uncertain. The voice surges and fades unpredictably, and with slightly erratic pitch. She has some plangent moments, but the calm certainty of Gluck's vocal line suffers. As her Admetus, Mark Padmore is young and reedy, more plausible as the recuperant invalid than the kingly ruler. The best singing – warm, steady, beautifully modulated – comes from Lisa Milne as a nameless person of Thessaly. Andrew Burden's pleasant tenor serves well enough for the people's leader, and Matthew Best and Matthew Elton Thomas in double roles are both happier in their second *personae*, respectively a stentorian Apollo and a hairy Hercules. The conductor is Nicholas McGegan, a period specialist who draws light, pointed playing from the Scottish Opera band but is not in very close touch with the singers on stage. The chorus was sometimes a beat ahead or behind.

Much of that should get sorted out over the performances to come: five more at Glasgow's Theatre Royal, one at Newcastle and two in Edinburgh. This amiable production will give pleasure; it is a moot point whether knowing the opera well already would be an advantage or not.

Peter Martin

Back to business as usual

When price competition between cola makers is abandoned, image manipulation and "psychic benefits", such as Pepsi's splash of blue, bubble to the surface

The cola wars, to paraphrase von Clausewitz, are the continuation of price competition by other means.

When Pepsi-Cola launches a \$500m (£328m) programme to turn its international image from red to blue as it did this week, or Coca-Cola changes its taste as it briefly did in the 1980s, both companies are reacting to the oligopolist's visceral instinct: anything is better than competing on price.

So basic is this assumption to late 20th century commercial life that we are astonished on the rare occasions when genuine price competition breaks out – among newspapers in the UK, Austria and Hong Kong, for example, or among US airlines. Once an industry is seen as prone to price wars, it is often stigmatised as one best avoided.

Cola is thus doubly unusual. It is a market in which price wars have broken out twice, once in the 1930s and again in the early 1990s. But in each battle the brand leaders – Coke in the first example, Coke and Pepsi together in the 1990s – have managed to emerge largely unscathed.

Turning Pepsi blue can be seen as a triumphant re-assertion that the latest outbreak of price competition is over: it is business as usual in the cola wars. What are the lessons from the two outbreaks of price competition, and from the non-price competition otherwise the norm?

In 1934, Pepsi was in trouble, a twice-bankrupt company selling far less than its giant rival. The solution: cut its unit price in half, by giving consumers twice as much for 5 cents as Coke's standard 6½ oz bottle. Pepsi advertised its bargain offering in a radio jingle so inescapable that its victims were still humming it decades later (to the tune of "D'ye ken John Peel?"): "Pepsi-Cola hits the spot. Twelve full ounces, that's a lot. Twice as much for a nickel, too – Pepsi-Cola is the drink for you."

By the time Pepsi abandoned competing on unit price, after the second world war, it had long returned to profitability. Its gains had come, however, not so much at the expense of Coke – which still outsold it five to one in 1950 – but at the expense of rival soft-drink makers, many long forgotten.

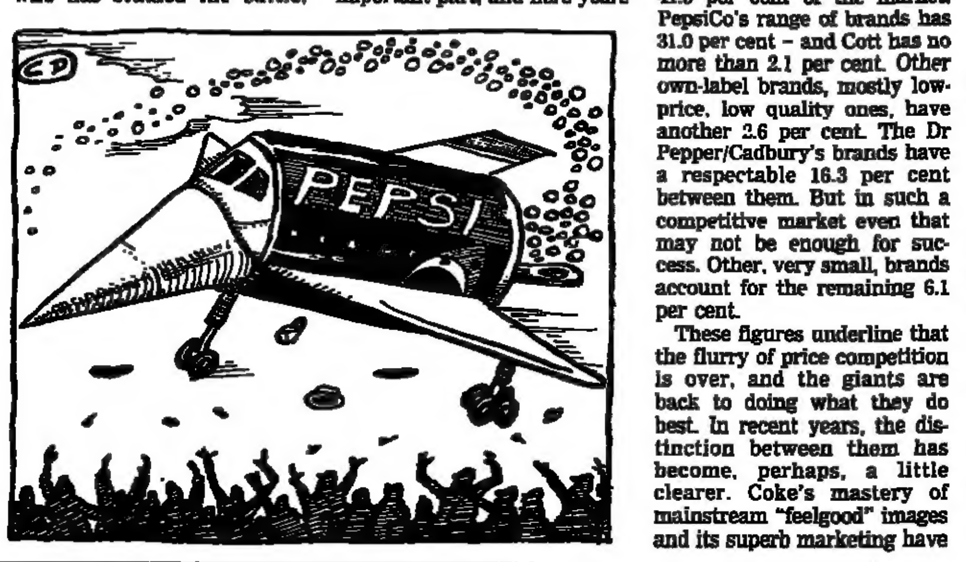
The two giants slogged on, counting their victories and defeats by the soda-fountain and the supermarket shelf. Both stressed seamless marketing and distribution skills, placing their products, as Coke's patriarch Robert Woodruff memorably put it, "within an arm's length of desire", and learning how to create that desire, too.

New slogans – "The real thing", "The taste of a new generation" – came and went. Pepsi invented a "taste challenge" which it usually won, perhaps because its slightly sweeter taste is more appealing in a single sip. Coke revamped its formula to respond, discovered its loyalists were appalled, then reintroduced the old one.

Both drinks kept gaining sales from minor competitors, and from rival beverages such as tea, coffee and water. They managed to steer clear of price competition, however. Indeed, Professor Richard Tedlow, who has studied the battle, argues that the Pepsi Challenge "was never embraced by Pepsi with the glee one would have expected" because it was "potentially too explosive". If it proved too successful, it might lead Coke to respond with competition based on price, "precisely the kind of competition both companies want to avoid".

Suddenly, however, that was exactly the sort of competition that both had to confront in the early 1990s, with the advent of serious own-label competition. Canada's Loblaw supermarket chain had launched an own-label cola made by the small local company Cott Corporation. It sold well; by 1991, WalMart, the US discount giant, had followed suit with a Cott cola named Sam's American Choice. In Britain, Virgin and Sainsbury followed suit.

Typically, these colas retailed at 20 per cent less than the brand leaders – and gave the store a healthier margin too. They tasted good, and they were packaged with big-brand flair. Price competition had re-emerged in the cola market. Of course, supermarket sales are only part of the cola business. Sales in convenience stores, in vending machines, and in fast-food restaurants are another important part, and here years of relentless marketing count for more than price.



Still, this was a serious threat. Coke and Pepsi fought back, with shrewdly placed discounts to retailers where the battle was fiercest. They stepped up promotions and intensified the image battle. By late last year, Cott's share price was suffering – and Pepsi executives were openly gloating, wondering aloud whether Cott could survive.

The new, blue Pepsi is a sign that the cola giants have regained their confidence and are back to using image rather than price as their principal weapon. Pepsi believes that the giants' ability to create global campaigns, drawing on international celebrities such as André Agassi and Cindy Crawford is one of their most powerful tools, something that a national or niche marketer can never afford to employ. This is just one of the economies of scale at the giants' disposal – Cott has to pay much more than them for bottles and cans, for example, simply because it buys relatively few by comparison.

The overall numbers are telling. Beverage Digest reports that in the US – the main battleground – the Coca-Cola company's soft-drinks, under all their brands, have 41.9 per cent of the market. PepsiCo's range of brands has 31.0 per cent – and Cott has no more than 2.1 per cent. Other own-label brands, mostly low-price, low quality ones, have another 2.6 per cent. The Dr Pepper/Cadbury's brands have a respectable 16.3 per cent between them. But in such a competitive market even that may not be enough for success. Other, very small, brands account for the remaining 6.1 per cent.

These figures underline that the flurry of price competition is over, and the giants are back to doing what they do best. In recent years, the distinction between them has become, perhaps, a little clearer. Coke's mastery of mainstream "feelgood" images and its superb marketing have given it a much stronger position internationally.

Pepsi's more glamorous set of images has given it – at least so its marketers believe – a stronger hold over the most voracious consumers of soft drinks, young men. It has even succeeded in selling them a diet drink, traditionally something they have scorned as a girls' taste. Pepsi Max manages to avoid the metallic after-taste traditionally associated with diet colas; but just as important has been the relentlessly masculine image which Pepsi has attached to it.

So successful has Pepsi Max been that the company is now using some of the same colour and advertising themes for its main brand as it seeks to tackle Coke's international dominance. The new blue Pepsi livery, launched this week at Gatwick airport outside London, will be in 20 countries by the end of the year and in the rest of Pepsi's markets outside North America by the end of 1997.

In making this switch, Pepsi is taking a number of risks. First, red is traditionally regarded as a stronger colour than blue for mass-market products. In many markets, the leading brand has attempted to appropriate red; when IBM, Big Blue itself, set up its own high street shops in the 1980s, it plumped for a red decor in deference to the advice of its retailing advisers. For Pepsi to make a play with blue represents a studiedly unconventional move. Second, by attempting to transfer the values successfully developed for Pepsi Max to the main brand, the company risks weakening the unique attributes of the diet drink without strengthening Pepsi itself.

Such image transplants are always risky. But in making these calculations, Pepsi can comfort itself that it is back on the familiar ground of image manipulation and "psychic benefits". The price competition genie, which Pepsi once summoned up so effectively, is back in its bottle.

BOOK REVIEW • Michael Thompson-Noel

THE END OF THE WORLD: By John Leslie
Routledge, £16.99

An eye-opening test of human complacency

Are you aware of *all* the threats to humankind? Up to speed on the risk of human extinction caused by nuclear war, the greenhouse effect, or the runaway spread of incurable diseases? How about asteroids and comets, or a massive astronomical explosion? Genetic engineering? Nanotechnology?

Is it possible that some lone scientist, working late one night and worrying about his golf swing, could produce a new Big Bang, right there in the laboratory? All he would have to do is compress a hundred-thousandth of a gramme of matter into an impracticably small volume, and – *poof!*

If you are familiar with the size (large or small) of these risks, perhaps you have also heard of the "doomsday argument", which first popped into the brain of Cambridge university cosmologist Brandon Carter in about 1980. If you know about this argument – it belongs to probability theory – this book may not strike you as shocking.

On the other hand, if you believe that everything on the planet is hunky-dory, bar a smidgin of overpopulation and pollution, perhaps your complacency has been insufficiently tested. This book may change your mind, for it is a gothic little number that will make your flesh creep.

John Leslie is a philosophy professor – nothing wrong with that – who is also at home with the latest ideas in physics and cosmology, which is why his book is subtitled *The Science and Ethics of Human Extinction.*

It mainly discusses the doomsday argument, which maintains that the risks we face as a species are more dangerous than generally thought. Indeed, the doomsday argument, says Prof Leslie, pushes us towards a spooky thought: that our chances of surviving for many more centuries are much slimmer than widely believed.

The argument holds that we can hardly expect to be among the very earliest humans who will ever live. To imagine ourselves in the first 0.01 per cent, let alone the first 0.001 per cent, of a species that is destined, eventually, to number hundreds of billions of members, or even many trillions, would be to view ourselves as highly extraordinary.

Instead, why not think of ourselves as thoroughly unexceptional – among the last 10 per cent of all humans, for example. With the present global population accounting for about a tenth of all humans who have ever lived, this is indeed where we would be if the human race were, in fact, to end shortly.

"Suppose that millions of intelligent races will evolve during the history of our universe," explains the professor. "Of all intelligent beings, might not a fair proportion find themselves in rapidly growing races which were about to become extinct? While technological advances encourage huge population explosions, they also bring new risks of sudden population collapse through nuclear war, industrial pollution, and so on. If the human race came to an end soon after learning a little physics and chemistry, what would be remarkable in that?"

The argument does not generate any risk estimates by itself. Instead, it is an argument for revising the estimates of risk we derive when considering the possible dangers to our species. And boy, are those worrying.

Half the book's attraction lies in its eye-opening review of the many threats facing us. The other half lies in Leslie's marrying of the (still controversial) doomsday argument to an assessment of the risk those threats pose.

The result, he maintains, is to promote an apparently small overall risk of extinction into a large one. "To get it to look small once more, we should need to make vigorous risk-reduction efforts."

He groups these risks into four categories. First: risks already well recognised, such as nuclear, biological and chemical warfare, the greenhouse effect, pollution and diseases. Second: risks that are often not widely recognised, such as planet-smashing hits by asteroids and comets, or the advent of an extreme ice age caused by our passage through an interstellar dust cloud (not thought likely in the next few hundred thousand years). Third: manmade disasters – perhaps a catastrophe derived from genetic engineering, or a calamity spawned by nanotechnology, or a takeover by computers. Fourth: "risks based on philosophy". This is a grab-bag, ranging from religious world-models and Schopenhauerian pessimism (Schopenhauer opined that it would have been better if our planet had remained like the moon, a lifeless mass) to "ethical relativism, emotivism and prescriptivism" (don't ask).

There are times when you may scream as the author shuttles from the wispiest reaches of cosmological and philosophical theorising into yet another of his beloved "urn analogies", even if urn analogies – you will just have to get the book – *are* highly relevant to many statistical calculations.

But only a third of *The End of the World* is remotely airy-fairy. In the main it is well written and enjoyably frightening. Top people ought to read it. It may change the way they think and act.

All they need to remember is what Bismarck said about the opening of Beethoven's *Appassionata* sonata: "If I listened to this movement frequently, I would become increasingly bold."

The End of the World *is available from FT Bookshop by ringing FreeCall 0500 418 419 (UK) or +44 181 964 1251 (outside UK). Free p&p in UK.*

·LETTERS TO THE EDITOR·

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Minimum wage can help in reviving demand

From Prof Sir Hans Singer.

Sir, Michael Prowse ("Jobless by decree", April 1) is very rough on economists who disagree with his view that "minimum wage legislation is a foolish way to help low-income workers". He writes that "some economists are too emotionally committed to higher minimum wages to think clearly". I feel tempted – but must resist the temptation – to reply that some economists are too emotionally committed against minimum wages to think clearly.

Briefly, no flexibility in the labour market and no absence of a minimum wage will induce employers to take on workers if the level of effective demand is insufficient to provide a market for their products. The best way of maintaining effective demand would be by active public investment or by promoting private investment; for example, infrastructure investment collectively supported by the European Union (considering that all EU countries suffer from unemployment). Failing that, support for essential consumption is a close second-best way of reviving effective demand.

Minimum wages fall within this second-best category. They have the additional objective of reducing the heavy income inequalities which will make any of the policies favoured by Mr Prowse unsustainable in the long run. Failing a macro-economic effective demand approach, reductions of the labour force by individual employers will cease to be a measure of efficiency but will be wasted in unemployment.

This may sound foolishly Keynesian to Mr Prowse but not to all FT readers, nor all politicians.

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Widespread confusion generated by BSE

From Bedi Singh.

Sir, My simplistic view of the moral issue re BSE is thus:

- God creates cattle – programs them to eat greens.
- God creates man – programs him to eat meat and greens.
- Man plays God – cattle are re-programmed to eat meats.
- Cattle get confused and go mad.

Unfortunately, it now seems we are all confused about who is accountable to remedy the situation. Slaughter costs seem astronomical and may well destitute many farmers and allied businesses. But it will make everyone physically and psychologically secure.

Sounds a bit like when we discovered that nuclear power was really not all that good for us. Look at the potentially huge costs of decommissioning and cleaning up that society now faces. But then who was to blame for that?

One way or another the poor taxpayer seems likely to shell out the repair costs. But then perhaps we need to start accepting the concept of natural justice and start paying more attention to what is going on around us in the world we live.

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A magnet for those who wanted to join

From Mr Nicholas Phillips.

Sir, Mr Bill Cash's letter (April 2) prompts one or two comments.

First, variable geometry may well produce a hard core of member states moving to closer integration but it would act as a magnet for those member states which wanted to join, not those who were reluctant.

Second, competitive currencies cannot operate indefinitely within a single market without creating distortions which ultimately destroy that market. Is that what the present British government and British industry want? The German finance minister's proposals are designed to avoid that happening.

Third, Mr Cash repeats the assertion that the UK joined a Common Market, ostensibly for reasons of free trade. The preamble to the Rome Treaty refers to an ever-closer union among the peoples of Europe and to claim, as some British politicians do, that the original EEC was only about free trade, demonstrates either dishonesty or ignorance.

Fourth, a state's national interest would best be protected by a written, and readable, constitution of the European Union which defined the powers of its institutions and those of its member states. That, however, brings us to the question of federalism and the dialogue of the deaf.

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Put jobs and sovereignty question to test

From Mr John Wilkinson, MP.

Sir, Philip Stephens, in his article "Invitation to honesty in the halfway house" (April 2), makes some questionable assumptions in his familiar theme of attacking the Tory Eurosceptics. The term Eurosceptic is itself a misnomer.

A more accurate description is Eurorealists. They are Conservatives who, by intellectual conviction, realise that an economically and politically more satisfactory relationship with Europe must be found by Britain than the integrationist Maastricht treaty model of a European union to be achieved via economic and monetary union.

Mr Stephens asserts that the electorate "understands the link between Europe and prosperity". Indeed it does. It recognises Maastricht-style convergence as a mechanism for wilful deflation at the expense of growth and jobs, and for a wasteful transfer of resources to subsidise uneconomic production in less competitive parts of Europe.

Lastly, Mr Stephens claims that "voters would not hesitate for long before opting for jobs ahead of the political abstraction of sovereignty". Then let us put the matter to the test in a referendum on the principle of the issues at stake, in advance of any government decision on participation in a single European currency.

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From Mr Denis Goddard.

Sir, Philip Stephens' well known views strongly supporting the case for the UK to be even more integrated into a German-dominated Europe, are familiar to readers of his column.

Unfortunately, at times statements are made showing bias not supported by logic. His statement that "the voters would not hesitate for long before opting for jobs ahead of the political abstraction of sovereignty" ("Invitation to honesty in the halfway house") calls for a different interpretation.

In the present relative performance and problems of the respective European labour markets, the British public would opt for both jobs and sovereignty.

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FINANCIAL TIMES
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A referendum life raft

More than 20 years ago the then Mr James Callaghan likened the referendum on UK membership of the European Community to a "rubber life raft" which would keep the Labour government afloat. Mrs Margaret Thatcher, the leader of the Conservative opposition, retorted that it was a "device of demagogues and dictators". Now Mr John Major's government has clambered into the same life raft by promising a referendum on a single European currency. Lady Thatcher fully approves. In politics, circumstance is all.

Referendums do not sit easily within the UK's unwritten constitution. The central constitutional principle of the soverignty of parliament is profoundly inimical to direct popular decision-making. The 1975 plebiscite on Britain's membership of the Community is the only precedent for such a UK-wide poll, though there have been referendums in Northern Ireland, Scotland and Wales. So it is no accident that Mr Major's decision, like the then Labour government's, derives not from constitutional logic but from the quest to bridge divisions over Europe within his own party.

That said, it was inevitable and almost certainly right for the prime minister to indicate that the Conservative manifesto would contain a pledge for a referendum on the single currency. Differences over Europe run across the main parties rather than between them, limiting voters' choice. The election will be held before it is clear whether Germany and France intend to go ahead with a single currency and, if they do, in which direction a Conservative government might exercise the option it negotiated at Maastricht.

Cabinet infighting

So, the best argument for a referendum is that the election will not give voters the opportunity to address the fundamental constitutional implications of participation in economic and monetary union.

More immediately, yesterday's agreement should end the cabinet infighting which had threatened the resignation of Mr Kenneth Clarke, the chancellor. Mr Clarke is not entirely happy with the outcome, but the statement released by Mr Major represents a compromise to which the cabinet's European enthusiastics and sceptics have all put their name.

Mr Clarke has also ensured that the pledge includes a series of commonsense parameters on the nature of such a poll. It would take place only after a recommendation from the cabinet that sterling should be part of a single currency. Once the cabinet had taken a decision in favour, all of its members would be bound to support that view under the doctrine of collective responsibility. That doctrine was cynically abandoned by the Labour government in 1975.

Genuine option

The referendum would be held after the cabinet's decision had been endorsed by the passage of the appropriate legislation. It would pose a neutral question and the outcome would be decided by a simple majority of those voting. The government will not promise any other plebiscites.

Most significantly, the decision has been taken in the context of firm agreement within the cabinet that it will not seek further to appease Conservative sceptics by ruling out participation in the next parliament. Sitting next to the chancellor, Mr Malcolm Rifkind, the foreign secretary, declared yesterday that there is "no possibility" other than that the government will preserve a genuine option.

Doubtless Mr Major will now put Labour under pressure to offer a similar pledge. So far Mr Tony Blair, the Labour leader, has said only that he would require the consent of the voters either in a general election or a referendum. But some 50 Labour MPs have already expressed outright opposition to a single currency.

The prime minister, however, would be misguided to assume that he has bridged the divide in his own party. Some sceptics are already demanding a referendum on the outcome of the EU's intergovernmental conference. And Mr Michael Portillo, the defence secretary, is among several cabinet ministers who have indicated they would never support the abolition of sterling. It is far from clear that Mr Major's referendum life raft will prove seaworthy.

Megamedia in Europe

Does it help to be big in European television? From the rash of recent alliances between media groups, many companies think it does. Given the proliferation of channels now underway, they are probably right. New channels require large investment. A joint venture with the right partners reduces the risk of loss, at least, and offers a chance to dominate the emerging market for pay TV. European Union and national competition authorities are not blind to the threat, but tackling it will tax their sophistication and speed to the full.

This week Compagnie Luxembourg de Télédiffusion, the Luxembourg-based media group, revealed plans to merge its radio and television interests with those of Bertelsmann, the privately owned German group. That follows the pact agreed last month between Bertelsmann, Mr Rupert Murdoch's News Corporation, and French media groups Canal Plus and Havas.

Such alliances often founder on disputes. But if they survive, the deals will give Bertelsmann a stronger hold on German terrestrial TV, where it has been tussling with CLT for control of RTL, Germany's largest commercial TV station. Perhaps more important, the moves help Bertelsmann and CLT compete for the growing pay TV and digital pay TV markets.

Mature market

The European television advertising market which supports traditional commercial television is mature; advertising revenues are broadly linked to economic growth, and an increase in the number of channels is unlikely to boost revenues further. But the technology of pay TV, which requires viewers to pay for programmes, offers a new hope of a dramatic expansion.

The largest groups have already invested in booking satellite capacity for transmission of hundreds of new channels. It is far from clear that demand for these exists. Whether viewers sign up to new services will depend crucially on programming.

However, prices of European programme rights are soaring as new channels start up. No group can now hope to replicate the success of KirchGruppe, the German-based programming giant, which snapped up the rights to hours of Hollywood programmes in the 1980s. Since then, Hollywood studios have opened their eyes to the potential value of the European market.

Much of the rationale of recent alliances therefore lies in reducing competition for programming, and reducing the risk of investment in new channels. Media groups often argue that if consumers are to get the benefit of new channels, companies must be allowed to align together to reduce risk. Even so, they rightly point out, they may still lose a fortune.

Tricky questions

But whether the ventures prove commercially worthwhile or not, the allegiances raise a handful of tricky competition questions. For a start, there is the risk that one group will corner the market in some types of programming. It might then control the terms on which the handful of small pay TV companies acquired much of their programming. It might also ratchet up the price of subscriptions once viewers have invested in the technology to decode pay TV signals. As UK experience shows, if one company owns the rights to the technology which scrambles signals, it may also be able to set the terms on which new pay TV channels start up.

Those issues now face the German Cartel Office and the European Commission, which must decide whether to approve this week's deal. The answers depend on judgments about the definition of television markets which competition authorities worldwide find fiendishly hard. Do different types of programming – or different languages – constitute different markets? Is pay TV a separate market from terrestrial?

In previous cases of proposed media alliance, the German and European competition authorities have navigated these questions sensibly. Given the speed of change in pay TV, however, they should take particular note of the risk that today's trendsetter will become tomorrow's monopolist.

Russia looks beyond its borders

Left to right Alexander Lukashenko of Belarus, Leonid Kuchma of Ukraine and Boris Yeltsin of Russia

A dangerous urge to expand

Ukraine is becoming the testing ground of Russia's neo-imperialist ambitions, say **Chrystia Freeland** and **Matthew Kaminski**

From Peter the Great to Joseph Stalin, Russians endured centuries of oppression at home in exchange for expansion abroad. But when he first swept to power in 1991, Mr Boris Yeltsin, the Russian president, broke that mould. He liberated his fellow Russians by abolishing the Communist party's stranglehold on political power and helped to free their neighbours by signing the treaty that dissolved the Soviet Union.

Less than five years later, some of Mr Yeltsin's domestic supporters and foreign allies fear he could be reverting to type. In an effort to counter the popularity of resurgent Communists before the June 16 presidential elections, Mr Yeltsin has steadily co-opted their agenda, including their pledge to rebuild the Soviet Union. His shift has unsettled western governments, which have staunchly backed his re-election attempts, and focused attention on Ukraine, Moscow's most powerful newly independent neighbour.

The boldest move in Mr Yeltsin's effort to restyle himself as an empire-builder came this week when he signed a union treaty with Belarus in a lavish ceremony in the Kremlin. Although the Russian leader and Mr Alexander Lukashenko, his Belarussian counterpart, insisted that the merger would not diminish the sovereignty of either nation, it was the biggest step towards re-integration since the Soviet Union collapsed. The treaty calls for a common foreign policy and security arrangements, establishes a fully unified customs zone and aims for the eventual creation of a single currency.

The symbolism of the deal – in honour of which Mr Yeltsin declared a new national holiday – was even more of a throwback to earlier eras of Russian history. The abbreviated name for the new union – the Community of Sovereign States – is SSR in Russian, just one letter short of SSSR, the Russian version of USSR. In a conspicuous echo of the Tsarist epoch, when Russian nationalism and Russian Orthodoxy were two sides of the same coin, Alexei II, the Patriarch of the Russian Orthodox Church, was also on hand to bless what he described as the "sacred cause" of union between the two slav states.

Many Russian observers viewed the treaty with Belarus purely as an election gambit by Mr Yeltsin, whose Communist rivals have tried to label him as the man who destroyed the Soviet Union – a country the majority of Russians say they would like to restore. But Mr Yeltsin's attempt to overtake the nationalist bandwagon by becoming its leader could have dangerous consequences, both inside Russia and beyond its borders.

The Russian president's tentative efforts to resurrect the empire he helped tear apart have created a political dilemma for western governments, especially the US.

On the one hand, western leaders are desperate for Mr Yeltsin to win his election battle with Mr Gennady Zyuganov, the Communist candidate. Over the past few months they have offered the Kremlin leader almost unstinting support. Following strong political pressure from Washington and Bonn, the International Monetary Fund recently approved a $10.2bn loan for Russia. Germany has pledged an additional DM4bn ($2.7bn). France and Japan have pitched in with smaller sums.

Yet at the same time the west is becoming increasingly anxious about a possible resurgence of Russian expansionism. For now, the chief targets of western ire are Russian Communists, who brought down a hail of criticism two weeks ago when they pushed through a parliamentary resolution annulling the treaty which dismantled the Soviet Union. Mr Warren Christopher, the US secretary of state, condemned the vote as "highly irresponsible" and warned that "the tide of history cannot be turned back".

As Mr Yeltsin steps up his own, vote-winning, efforts to turn back history's tide, he and his administration could come under fire as well. One sign of a hardening western attitude to Russia, even under Mr Yeltsin's rule, is the uncompromising stance western leaders have recently taken on the eastern enlargement of Nato.

Last month Mr Christopher insisted that "Nato has made a commitment to take in new members and it must not and will not keep new democracies in the waiting room forever". That message was reinforced a few days later by Mr Javier Solana, Nato general secretary, who travelled to Moscow to tell the Russians that, whether they liked it or not, the alliance would admit some of Russia's former Warsaw Pact satellite states.

But the real key to western efforts to put a brake on Russian expansionism is Ukraine, the second most powerful former Soviet republic which is led by Mr Leonid Kuchma. Although Ukrainians backed independence by a nine-to-one margin in a 1991 referendum, Russian nationalists have never reconciled themselves to the loss of the state they view as their ancestral homeland. Now that Belarus has returned to the fold, Ukraine is emerging as the testing ground of Russia's neo-imperialist aspirations.

At the opulent celebrations this week of the union between Belarus and Russia, Ukraine was frequently evoked. Alexei II, who is waging his own battle against Ukrainian priests who have broken with the Moscow church, pointedly described Russia and Belarus as "two fraternal peoples baptised together with the kindred Ukrainian people in the same Kiev font". Mr Gennady Selezniev, the Communist speaker of parliament, went further, openly calling on Ukraine to join the new SSR.

But Mr Anton Buteiko, Ukraine's deputy foreign minister, insisted this week that Ukraine had "already made its choice in the December 1991 referendum, and that choice is to live as an independent state". "We would oppose attempts to re-establish the union which existed before", he added.

Not so long ago, this sort of assertion of Ukraine's desire to live independently from Russia would have met a cold reception from the west. In the summer of 1991, Mr George Bush, then US president, instructed Ukrainians to stay in the Soviet Union. US pundits swiftly dubbed his address the "chicken Kiev" speech.

But over the past five years, western and especially US policy towards Ukraine has taken a U-turn. Ukraine is now the third largest recipient of US aid, trailing only Israel and Egypt, and Kiev has become a frequent destination for senior western leaders, who are vocal in their support for its status as an independent state. A measure of the intense interest the west is taking in Ukraine's survival was the snap decision this week by the British and German foreign ministers to visit Kiev after Mr Yeltsin postponed a planned summit meeting for the sixth time, a move seen as a reflection of tension between the two states.

According to Mr Zbigniew Brzezinski, former US national security adviser and one of the early advocates of strong western support for Kiev, the new strategy is based on the principle that, by bolstering Ukraine, the west can prevent Russia from re-emerging as an expansionist state, at least in Europe.

"The administration [in the US] has accepted the idea that an independent Ukraine is in the US interest because it transforms Russia into a post-imperial state," Mr Brzezinski argues. "And without becoming a post-imperial state, Russia cannot become a democracy."

Mr Brzezinski's second point – that Russian expansionism imperils not only its neighbours, but Russian democracy itself – is coming to worry some of Russia's increasingly marginalised reformers. Many of them believe that Moscow's bloody 15-month effort to suppress separatists in Chechnya, a breakaway region within the boundaries of the Russian Federation, has already coarsened Russian democracy.

They fear that trying to bring back former Soviet states could also trigger unrest. An anti-union demonstration this week by more than 20,000 protesters in Minsk, the capital of normally quiescent Belarus, highlighted this danger. Re-integration could pose an even greater threat to economic reforms. A currency union with economically backward Belarus, for example, could jeopardise Russia's fragile macro-economic stabilisation.

As Mr Sergei Kovaliev, former dissident and one of Russia's most respected democrats, warned Mr Yeltsin this year: "Perhaps you believe you are building a Great Russia for the good of its citizens. . . .[but instead] you are recreating the old Bolshevik quagmire."

Despite the Russian president's recent lurch towards the populist chauvinism of the Communists, most western leaders would still disagree with Mr Kovaliev's severe verdict.

But, just in case Mr Yeltsin does complete his imperialist metamorphosis – or in the event that the openly expansionist Communists win the elections – the west is hedging its bets. That is why, over the next few months, high profile western visitors will continue flocking to Ukraine – and when they get there, chicken Kiev will not be on the menu.

· OBSERVER ·

Commercials and confetti

■ It's never too late to kiss and make up; consider the case of the German media behemoth Bertelsmann and CLT, the Luxembourg TV and radio company.

Relations between the two, which are both involved in RTL – Germany's leading commercial television network – have been a little fraught lately. So much so that they were due to meet on Monday in a Hamburg courtroom, to settle a dispute over Bertelsmann's attempt to increase its stake in RTL.

But then in a remarkable volte-face both agreed to talk, in private and without a judge. Bertelsmann board member Michael Dornemann and Michel Delloye, CLT's chief executive, met last Thursday for a chat, the upshot of which was an agreement to suspend the legal dispute.

One thing, as they say, leads to another. Before long, the chat spilled over into something rather more intimate – a hesitant, one might say almost shy, consideration of merging the two groups' German television activities.

Before we knew it this whirlwind romance had blossomed into wedding bells. In what must be a record in the world of German deal-making, the proposed merger was announced five days later, on Tuesday. Let's hope it's not a shotgun wedding.

Bill's on first base

■ The Japanese will be truly delighted to discover how pre-occupied Bill Clinton already is with his upcoming visit to Tokyo.

There he was, performing his constitutional duty on Tuesday by throwing out the First Ball to open the Baltimore Orioles baseball season. He then chatted knowledgeably, as is the wont of the First Fan, to TV commentators – until he got round to reminiscing about a famous home run, hit last year. The ball was struck out of the park, he said, on an "0-and-three" count, which must have mystified his listeners because American parlance for three balls and no strikes, which is what he meant, is "three-and-0."

But in Japan, forever subversive, the order is reversed. Pat Buchanan was in the crowd and will doubtless now use this as evidence that Clinton is even deeper in the Japanese pocket than even *he* had imagined.

Testosterone bid

■ Has Davidi Gilo bitten off more than he can chew? The 39-year-old Israeli entrepreneur's hostile bid for Scitex Corporation means tangling with the Recanati family, one of Israel's oldest and most prominent business families.

Gilo is widely seen as a charismatic high-tech pioneer, but his bid – and biting criticism of Scitex management – is a direct challenge to some of Israel's biggest companies, which own stakes in Scitex.

He's is not your average MBA clone, having dropped out of the University of California at Berkeley and then worked in Alaska's fishing industry before going into business. Gilo belongs to a collection of talented and aggressive emigré Israelis, who regard businessmen back home as dinosaurs.

He might have the necessary testosterone, but some think he lacks weight and will come off worst against the Recanati's. Others say he's serious and capable of surprises. "Life with Davidi is never boring," says a former colleague. "He doesn't drink, smoke or cheat on his wife. He only gambles with his work." Not *entirely* a ringing endorsement.

Grey ceiling

■ Turning 50 is unfashionable at Lehman Brothers – even more so than on the rest of Wall Street. After a painful round of cost-cutting, the US investment bank has reshuffled its management to unleash two senior citizens on a different job – livening up the revenue entry of the profit and loss account.

Both a year into their second half century, Christopher Pettit, president and chief operating officer, and Mel Schaftel, vice-chairman and head of investment banking, leave the nitty-gritty of day-to-day management in hot pursuit of income generation. This elevates three younger bloods into senior management: Steven Berger, 39, until recently head of investment banking in Europe; Bradley Jack, 37, whose background is in fixed income markets; and Michael McKeever, another investment banking bigwig.

Letting loose on the customers two old hands sounds sensible. But will it do the trick – where the cost-cutting did not – on the bottom line?

Blown out

■ New York City's mayor Rudolph Giuliani has pulled the plug on plans to run guided tours of the Fresh Kills landfill on Staten Island. At 3,000 acres it's the world's largest garbage dump, with 2 per cent of global methane gas emissions. Not that Giuliani doesn't think there's money in muck – how could he, given his office? – just that local politicians were unhappy. "The signal it was sending was completely wrong," says Vito Fossella, a Staten Island councillor. So a different signal is being emitted – a large raspberry.

The Financial Times

100 years ago

Warning on Argentina

The St. Andrew's Gazette, an able monthly journal published in Buenos Ayres, takes occasion in its last issue to utter a warning against a too confident belief in the economic revival of Argentina. It points out that the fall in the gold premium is by no means an unmixed blessing. The harvest, it adds, is deficient in some quarters, and the export of livestock is not so profitable as had been supposed. Considering the immense development of Argentina during the last two years, we cannot help thinking that the St. Andrew's Gazette errs a little on the side of over-caution.

50 years ago

U.S. production at peak

Production in the U.S. of goods and services for the civilian market is higher to-day than ever before in the nation's history in war or in peace, and is still going up, says President Harry S. Truman in a formal statement. But he warned that if the current coal strike involving 400,000 miners was prolonged it would undoubtedly wipe out the whole progress made to date in reconversion. The President was commenting on the quarterly report of Mr John W. Snyder, Director of War Mobilisation and Reconversion.

FINANCIAL TIMES
Thursday April 4 1996

Company accused of overcharging by $100m

IBM executives charged in Argentine fraud case

By David Pilling in Buenos Aires

Five current and former executives of International Business Machines have been charged with defrauding the Argentine state over a $249m contract with state-owned Banco Nación.

They are among 30 people charged with fraud by Mr Adolfo Bagnasco, the federal judge investigating allegations that IBM's Argentine subsidiary paid bribes to win the Nación contract. The alleged crime of fraud, less serious but easier to prove than bribery, carries a maximum prison sentence of six years.

Those named include Mr Ricardo Martorana, former president of IBM Argentina, and Mr Aldo Dadone, former president of Banco Nación and a close associate of Mr Domingo Cavallo, Argentina's economy minister.

Mr Bagnasco's decision to press charges is believed to have been influenced by two independent studies suggesting that IBM overcharged Banco Nación by up to $100m. Those estimates are contested by IBM and by Deloitte & Touche, the accountancy firm which advised Nación in the initial stages of the contract. One of Deloitte & Touche's former partners is named in the indictment.

Mr Fred McNeese, for IBM, yesterday refused to discuss the charges and could not say whether the US company would appeal. Several of the accused are likely to appeal, which could delay the start of any trial by two years, according to legal experts.

"IBM has not been directly charged," said Mr McNeese. "Thus it is not appropriate for me to speculate on any appeal." IBM also refused to comment on what action, if any, it would take against two other indicted executives who are still working for the company. Nor would it say if it planned legal action against any of its former employees.

Mr McNeese admitted that an internal investigation had shown that former executives of IBM Argentina had not followed "established IBM business procedures". Although no evidence of "illegal activity" had been uncovered, three executives, including the president, were forced to resign last September. "That action speaks for itself," he said.

"Poor business decisions were made and IBM Argentina has suffered as a result. We have investigated and are continuing to investigate. We are going to make sure that something like this never happens again," Mr McNeese said. "IBM is known for its ethical and legal standards and anything that tarnishes that record is not going to be tolerated."

The IBM-Nación scandal also threatens to sully the reputation of Mr Cavallo, two of whose political allies are indicted.

The Swiss embassy yesterday could not confirm reports that its authorities had agreed to reveal the ownership of a bank account at Banque Bruxelles Lambert, into which IBM funds are alleged to have been diverted.

Spain's key rate is cut by ½-point amid fears on growth

By David White in Madrid

The Bank of Spain took financial markets by surprise yesterday with a half-point cut in its benchmark interest rate, the second since the centre-right Popular party's narrow general election victory a month ago.

The cut from 8.25 to 7.75 per cent was unexpected, particularly in the political limbo caused by the delay in forming a new government, analysts said.

They saw the move as reflecting confidence in the downward inflation trend, but also concern about flagging economic growth.

The cut also appeared to be aimed at stemming the recent strength of the peseta, which is believed to have led the central bank to intervene on the market.

It was Spain's fourth interest rate cut since December, following a tightening of monetary policy earlier last year.

Mr Henrik Lumholdt, Bank of America's chief economist in Spain, said the decision not to wait for March inflation figures indicated a "radical turn" in central bank policy. "In contrast to what we have seen in the last year, the Bank of Spain is acting on expectations rather than evidence," he said.

The independent central bank, in a monthly report, called the reduction in the year-on-year consumer price figure to 3.7 per cent in February "a solid starting point".

But it warned that hopes of reaching 3 per cent in a year's time would be dashed unless decisive steps were taken to cut the public sector deficit and liberalise the economy.

Delivering a clear message to the Popular party, which is negotiating with regional parties on forming a parliamentary majority, the bank said Spain needed to overcome "the climate of uncertainty about the process of fiscal consolidation". It called for "a programme to ensure rapid and determined progress towards reducing the public deficit".

This stern warning coincided with a clash between the PP and the caretaker Socialist government on how to handle budget spending this year.

A proposal by Mr Pedro Solbes, finance and economy minister, for Pta112bn ($896m) to be re-assigned from public works and other departments to cover priority expenditure has been rejected outright by the PP.

Mr Cristóbal Montoro, PP economic spokesman, accused Mr Solbes of trying to set "traps" for the incoming government. He said the proposals could harm economic growth. The PP, aiming to meet a deficit target of below 4.5 per cent of gross domestic product compared with 5.8 per cent last year, would seek savings from measures to streamline the administration and privatise state companies.

THE LEX COLUMN

Options for change

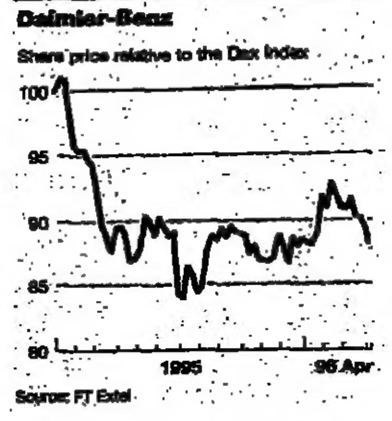
Daimler-Benz has slaughtered so many sacred cows in the past year that one might think the job of restructuring Germany's largest industrial group was over. Yesterday's decision to push through an executive share option scheme, despite the opposition of most employees on its supervisory board, underlines Daimler's cultural changes; by aligning the interests of management and shareholders, the scheme should accelerate the group's commercialisation.

By pulling the plug on Fokker and closing down most of AEG – the main causes of last year's DM5.7bn loss and the skipped dividend – Daimler has already abandoned its old empire-building ways. But there is still much to do. Although Daimler should swing into profit this year, it is unlikely to reach its target of 12 per cent return on capital until next year. Daimler-Benz Aerospace (Dasa) may not be that profitable until 1999, and getting there will involve selling or closing Dornier, the loss-making regional aircraft manufacturer.

Daimler also needs to ask whether it makes sense to continue as a conglomerate spanning Mercedes cars and trucks, aerospace and services. Dasa would fit better with British Aerospace and France's Aérospatiale, though knocking together such a pan-European aerospace alliance would take time, given the political sensitivities. Meanwhile, the computer services business – a hidden jewel somewhat like EDS, which is being demerged from General Motors – should probably be spun off. If Daimler's executives pursue such a shareholder-friendly agenda, they should soon be showing big profits on their options.

FT-SE Eurotrack 200:
1686.6 (-3.2)

Daimler-Benz



Source: FT Extel

Russia

Make no mistake about it, President Boris Yeltsin wants to be seen to be re-creating a broader union with some of Russia's immediate neighbours. He calls his biggest link-up so far – with Belarus – the "SSR"; the echo is deliberate. What should investors make of this? The gloomiest view is that Russia is reverting to old imperialist habits. If so, the implications are grim – if only because of the confrontation with the West which would result. But even if President Yeltsin were tempted in this direction, which seems unlikely, the political damage he has sustained attempting to keep control of Chechnya will surely have put him off. In theory, Russia could force through closer links even with reluctant partners, using its grip of the region's oil and gas supplies as a lever. In reality, the gains could never be worth the political fall-out. More probably, President Yeltsin is playing politics, trying to turn to his advantage the popularity of the Communists' appeal to nostalgia for the Soviet past. Agreements like that with Belarus show him to be re-establishing Russian influence where the Communists just talk. If this helps his re-election prospects, investors should be pleased.

Still, these agreements will have a price. The good news from lower trade barriers is likely to be outweighed by the bad. The problem is that the countries keenest to link with Russia are those whose economies look most shaky. Monetary union with them would almost certainly be bad for Russian inflation, and any financial aid would be bad for its deficit. Investors cannot afford to ignore either.

Siebe/Unitech

Mr Peter Curry, the Unitech chairman, has negotiated a sweet deal for his shareholders. The 715p a share Siebe has agreed to pay for Unitech is twice the share price of a year ago and 60 per cent more than the 440p at which Swiss group Saurer sold its stake last August.

Siebe has clearly paid up to secure a board recommendation – but then it could afford to. Having bought 25 per cent of Unitech from Electrowatt at 590p a share in cash, Siebe's average price is 670p. That values its target at 19 times next year's earnings, making the acquisition earnings neutral in the first 12 months and positive thereafter. And the strategic fit between the companies is excellent. Unitech's power controls close a gap in Siebe's range of electronic control products and the combined group will be world leader in a fragmented market. Unitech also brings a large Japanese business with a strong brand and low-cost manufacturing in South East Asia. The benefits of combining purchasing, production and customers should bring benefits of £5m in year one and over £10m annually thereafter.

However, Siebe could have made a good deal even better by financing it entirely in cash. With interest rates low, that would have enhanced earnings from the start while interest cover would have remained healthy at over 5 times – leaving scope for smaller purchases. The decision to offer shares reflects a horror, not least among UK institutions, of high gearing, which has been boosted artificially by large goodwill write-offs. Siebe has missed an opportunity to change perceptions.

Eni

The Italian government's decision to postpone the reappointment of Mr Franco Bernabè, managing director of Eni, the oil and gas giant, sends out worrying signals about Italian privatisations. The decision will now be made after the April 21 elections, and if Mr Silvio Berlusconi's right-wing coalition is victorious Mr Bernabè's job prospects will look bleak. Given that he was the main architect of a restructuring which transformed Eni from a corrupt political fiefdom to an efficient international energy group, this would bode ill for investors who participated in last November's L6,300bn share offer.

Of course, Mr Lamberto Dini, the caretaker prime minister, is worried that any decisions he takes will be placed in the context of his candidacy in the elections. However, it remains puzzling that the main board appointments at Eni could not be reaffirmed before the flotation. After all, Eni remains an attractive political pawn, since it employs 86,000 voters and owns a newspaper and the Agenzia Italia news agency. And the government needs to keep existing investors sweet, since it still owns 85 per cent of the company.

This is another reminder of why Italy should speed up the privatisation programme, after the elections. And given the vast debt load at IRI, the state industrial holding company, the government should need little encouragement. However, if the victors of April's elections decide to tamper with Eni's management, they will not only hit the value of IRI's stake but will make impending sales of Ina, Enel and Stet look like mission impossible.

Additional Lex comment on Northern Rock, Page 21

Bank of Japan chief

Continued from Page 1

finance ministry officials thought a review of the bank's status would be left to Mr Matsushita's successor in four years.

Under an informal rota system, the next governor is likely to come from the Bank of Japan. The incumbent is a former finance ministry official who took office at the end of 1994.

Final legal authority over monetary policy is unclear under the existing Bank of Japan law, which merely instructs the bank to work for the nation's economic power.

The finance ministry says the bank has the right to decide the timing and size of interest rates while most observers accept this as a polite fiction. In practice, the bank is subservient to the ministry, which supervises it.

Daimler loss

Continued from Page 1

investment." Daimler said it "expects to move back into substantial profit in 1996".

The vote to introduce executive share options is bound to unleash a heated debate about corporate governance in Germany, where such pay deals are uncommon.

Daimler and Deutsche Bank have announced option plans in recent weeks, seeking to boost the performance-related element in executive pay.

Under Daimler's scheme, executive board members will be entitled to 2,000 share options each, which can be exercised if the share price rises by at least 15 per cent.

S Africa moves to damp speculation

By Roger Matthews in Cape Town

Mr Trevor Manuel, South Africa's new minister of finance, sought to damp speculation against the rand yesterday by promising not to suddenly remove exchange controls.

"There will be no rash, uninformed decisions, no big bangs, no Easter bunnies," Mr Manuel said. "The speculation is completely without foundation."

Mr Manuel, the first member of the ruling African National Congress to hold the finance portfolio, held an unscheduled press conference after the rand had been driven to new lows against the dollar. The rand closed in London at R4.11 to the dollar, a fall of 10 South African cents on the day.

The minister will hold his first formal meeting today with Mr Chris Stals, governor of the Reserve Bank, who yesterday repeated his denials that he was about to resign. Mr Manuel said: "I spoke to Mr Stals today and he asked me to say that he was shocked by the rumours of his resignation. It is not something he has even thought about."

Mr Manuel said the meeting with Mr Stals would be introductory, but would also become part of regular monthly meetings to discuss macro-economic policy.

Mr Manuel added that a number of speculators "will have lost their shirts by forward buying in the expectation that this would yield results by Monday".

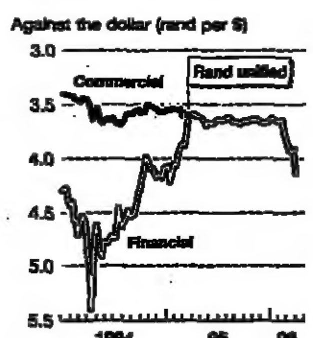
Mr Manuel and Mr Chris Liebenberg, his predecessor, claimed yesterday that the change in finance ministers had been planned for a long time. "The secret is out. I have known about this for at least six months," Mr Manuel said. One consequence was that he had been able to work closely with Mr Liebenberg in drawing up last month's budget. "It was not the sole work of Mr Liebenberg. It was a cabinet budget," he said.

The issue of removing exchange controls was part of a gradual process that had been under discussion for the past 14 months. "There is no impending big bang announcement on exchange controls," he said.

Mr Manuel also said there would be no early moves on interest rates, while the fight against inflation had to be considered along with other priorities. "The fight against inflation is a fight among many," he said.

"Clearly it remains a fairly important priority, to which I have contributed. But it is not the sole fight we are engaged in."

South African rand



Source: Datastream

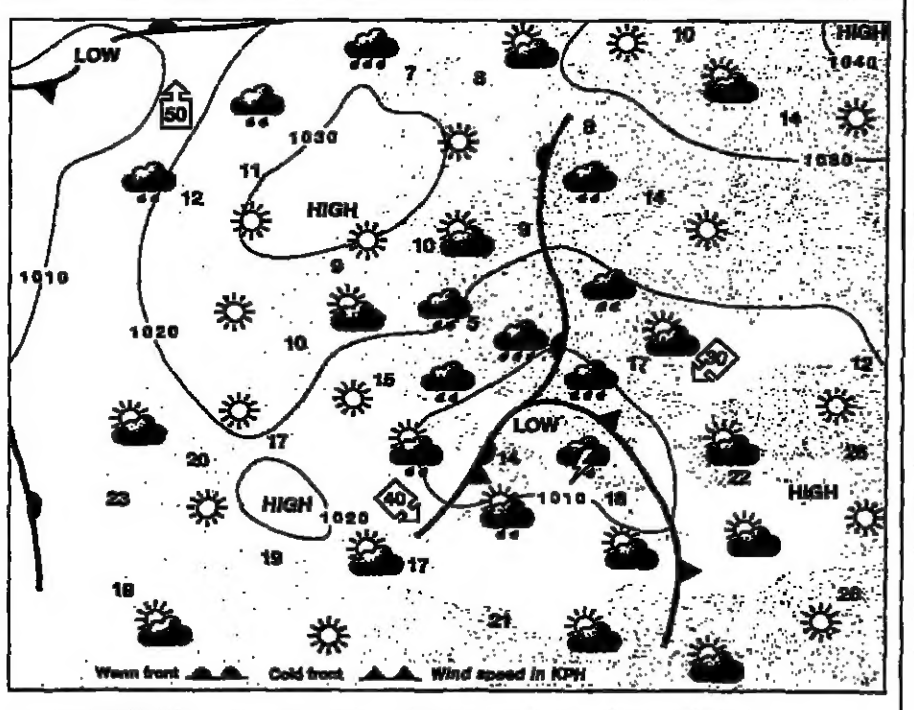
FT WEATHER GUIDE

Europe today

High pressure will promote sun from Scandinavia across the North Sea countries to France and Spain. A series of Atlantic lows will bring showers to the west coast of Norway and rain, accompanied by strong southerly winds, to western Ireland and Scotland. A complex low will move from Italy to the Balkans. Central and southern Italy will have showers and thunder showers are expected in Greece. The frontal system associated with this low will cause rain in most of the Balkans, north-eastern Italy and central Europe. Poland and Lithuania will also have rain.

Five-day forecast

Western Europe will remain sunny as high pressure lingers over the North Sea. Atlantic lows will continue to bring unsettled conditions to Ireland and Scotland and rain showers to the Norwegian west coast. A low moving slowly from Greece to Ukraine will cause showers with thunder. A disturbance with thunder will move from Morocco tomorrow night, crossing the southern Mediterranean to Turkey, where it is expected on Monday. A high over the Azores will cause mostly sunny conditions in south-west Europe.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum	Beijing	sun	18	Caracas	cloudy	29	Faro	sun	22	Madrid	sun	20	Rangoon	fair	37
		Celsius	Belfast	fair	11	Cardiff	sun	12	Frankfurt	fair	8	Majorca	sun	15	Reykjavik	windy	1
Abu Dhabi	sun	31	Belgrade	rain	16	Casablanca	fair	21	Geneva	cloudy	9	Malta	cloudy	14	Rio	fair	27
Accra	fair	31	Berlin	fair	10	Chicago	shower	9	Gibraltar	sun	19	Manchester	fair	12	Rome	shower	14
Algiers	fair	17	Bermuda	shower	22	Cologne	sun	8	Glasgow	fair	11	Manila	fair	34	S. Frsco	sun	19
Amsterdam	sun	8	Bogota	cloudy	20	Dakar	fair	27	Hamburg	sun	9	Melbourne	shower	19	Seoul	sun	13
Athens	thund	18	Bombay	sun	33	Dallas	cloudy	25	Helsinki	sun	7	Mexico City	fair	28	Singapore	cloudy	32
Atlanta	fair	24	Brussels	sun	9	Delhi	sun	32	Hong Kong	shower	23	Miami	fair	27	Stockholm	sun	8
B. Aires	shower	21	Budapest	rain	11	Dubai	sun	31	Honolulu	cloudy	29	Milan	sun	15	Strasbourg	cloudy	9
B.ham	sun	13	C.hagen	sun	8	Dublin	fair	12	Istanbul	fair	19	Montreal	fair	3	Sydney	fair	24
Bangkok	fair	38	Cairo	sun	28	Dubrovnik	rain	15	Jakarta	cloudy	32	Moscow	fair	14	Tangier	fair	20
Barcelona	sun	17	Cape Town	fair	25	Edinburgh	fair	11	Jersey	sun	13	Munich	rain	5	Tel Aviv	fair	25
									Karachi	sun	33	Nairobi	cloudy	28	Tokyo	fair	14
									Kuwait	sun	31	Naples	shower	13	Toronto	fair	7
									L. Angeles	sun	19	Nassau	fair	27	Vancouver	shower	13
									Las Palmas	fair	22	New York	shower	12	Venice	rain	11
									Lima	cloudy	26	Nice	sun	15	Vienna	rain	6
									Lisbon	fair	20	Nicosia	sun	25	Warsaw	cloudy	9
									London	sun	12	Oslo	sun	7	Washington	cloudy	21
									Lux.bourg	sun	8	Paris	sun	12	Wellington	rain	18
									Lyon	cloudy	10	Perth	fair	30	Winnipeg	fair	-4
									Madeira	shower	20	Prague	rain	6	Zurich	cloudy	6

هكذا من الاصل